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ABSTRACT

This report provides a budgetary perspective on public education in New York City. It presents facts and figures on the following five areas: (1) understanding the 1975-1976 cuts in the education budget, (2) pupil-staff characteristics of the New York City Public Schools, (3) pupil-teacher ratio and class size, (4) understanding the impact of the fiscal crisis on the Board of Education's budget, and (5) recent management reform initiatives at the Board of Education. In summary, it is noted that New York City's public schools have lost the full-time equivalent services of 31,725 staff members since the onset of fiscal retrenchment. The total school staff reduction of 25% is greater than that of all the city's uniformed services (police, fire, sanitation, corrections) combined. The figures also show a reversal in the long-term trend towards lower pupil-teacher ratios. The drastic reductions in the Board of Education's budget have forced the extensive cuts in schoo system personnel. They have forced layoffs not just among teachers, but in virtually every category of employment. The strategy of retrenchment adopted by the Board of Education of New York City will continue for the academic year of 1976-1977 because of additional budget cuts. This will affect the quality of education offered to the more than one million children in the public school system. (Author/AM)

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# PUBLIC EDUCATION IN NEW YORK CITY: REFLECTIONS ON THE IMMEDIATE PAST AND SOME THOUGHTS ABOUT THE FUTURE - - A BUDGETARY PERSPECTIVE

SEPTEMBER 1976

*(Second Printing: November 197*

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BOARD OF EDUCATION OF THE CITY OF NEW YORK

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PREPARED BY
OFFICE OF THE DEPUTY CHANCELLOR
EDUCATIONAL POLICY ANALYSIS UNIT

BERNARD R. GIFFORD, DEPUTY CHANCELLOR

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# Preface

Last year was most difficult for everyone connected with New York City's public schools---pupils, parents, teachers, administrators, board members, and even those of us in the seemingly protected realm of management. The severity of the fiscal crisis, with its inevitable scramble for dwindling dollars, seemed to bring out the very best and the very worst in all participants. When people are forced to struggle for their survival, such behavior is not at all surprising. What is surprising, but most commendable, is that so many people were courageous, that they acted with such grace and competence under extreme pressure.

The year was difficult not only because of the magnitude of the budget cuts, but also because the cuts came so fast and with such frequency. This created a special burden for me and my staff in our continuing effort to analyze the cuts and disseminate accurate information in an expeditious fashion---while at the same time performing our main responsibility of managing the day-to-day operations of the school system.

Although we reported the impact of the fiscal crisis on the Board of Education's budget as accurately as possible, the barrage of modifications coming from City Hall and the Emergency Financial Control Board frequently rendered our figures obsolete. This inevitably resulted in a certain amount of confusion and misunderstanding. On a few occasions, our critics accused us of being less than candid in reporting the facts. But even allowing for all the problems inherent in last year's budget analysis, it seems to me that the facts we presented have held up rather well. I only wish that the facts did not tell such a sad story.

The summer gave me an opportunity to review what has happened

over the past eighteen months. As my analysis developed, I reported my findings in presentations at Atlanta University, Fordham's Graduate School of Education, and Columbia's Teachers College. The material in this document is based largely on those presentations.

Again I must repeat a caveat offered last year when I testified before the New York State Assembly Committee on Education. The Board of Education's budget

> *is much more than an elegant array of numbers arranged in neat, military formation by column and line, marching across pages and pages of computer printout in harmonious mathematical cadence. Its static neatness masks a flurry of activity. The annual expense budget is a living document. Even in normal times, during the course of a year, it will undergo numerous modifications, as the Bureau of the Budget revises its revenue and/or expenditure forecasts; shifts funds from one agency to another to take advantage of unanticipated surpluses or to cover unexpected deficits; launches a new initiative not provided for in the adopted budget; or imposes hidden cuts on selected agencies by slowing to a crawl all "automatic" approval procedures and actions that result in the expenditure of funds.*

Some of the information in this document, especially relating to the budget for fiscal year 1976-1977, is tentative. Since many cuts must still be scheduled and further modifications will occur in the months ahead, it was necessary in some instances to estimate their impact on both the budget and operations. However, as events unfold, our estimates will be converted into hard reliable data and will be reported to the public.

Even including the estimates, I invite close inspection of this document and welcome an independent audit of the data reported in the following pages. This repeats an offer which has been extended to New York City's budget officials and the Emergency Financial Control Board.

* * * * *

Though I take full responsibility for the facts, figures, and analysis which follow, some members of my staff deserve mention for their assistance in the preparation of this report. Marshall Goldman, a superb budget analyst who suffered through months of my cajoling, compiled much of the basic data---working the numbers into exceptionally lucid tables and exhibits. The principal analyst in my office, Ronald K. H. Choy, always sharp to discern trends and meaningful statistical relationships, was especially helpful in taming a prodigious quantity of data. Richard Guttenberg, a fellow who understands how to put words and numbers together, provided substantial editorial assistance throughout many drafts and revisions. In addition to the three members of my immediate staff mentioned above, the Office of Budget Operations and Review literally worked overtime in supplying my voracious appetite for data. Jacqueline Wong executed the graphs and charts. Charlotte Johnson supervised the preparation of the manuscript. Madeline Romero and Carol Young prepared the text and tables. Finally, this report would never have been printed in its present form without the editorial support of Patricia French.

BERNARD R. GIFFORD
Deputy Chancellor

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# PUBLIC EDUCATION IN NEW YORK CITY: A FRACTURED ODE

For nearly three years I have served as Deputy Chancellor and chief business officer of the New York City's public schools. During the past eighteen months I have been an unwilling participant-observer of its dismemberment, authorizing (and sometimes ordering) drastic cuts in programs and staff--and this in spite of the growing, unfulfilled educational needs of our student population.

Last year, the Board of Education received $262 million less than what would have been necessary to maintain the same level of services provided during the previous fiscal year.* In order to accommodate this service cut, while at the same time improving teacher productivity and minimizing the increase in average class size, the school week for elementary and intermediate pupils was shortened by 90 minutes.** An equivalent reduction in the high schools was obtained by eliminating elective courses in areas such as foreign languages, mathematics, history, and social studies. This strategy of retrenchment--some call it desperation--must be continued this year because of additional budget cuts.

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*The amount of the service cut was specified by the mayor and the Emergency Financial Control Board. For full details, see Appendix A, "Understanding the 1975-1976 Cuts in the Education Budget."

**For a detailed explanation of this point, see B. R. Gifford, R. K. H. Choy, C. Lyon, and M. Goldman, "The Impact of the 1975-1977 UFT-Board of Education Contract on Class Size, Maximum Pupil-Teacher Ratios and the 1975-1976 Allocation Formulae," Policy Paper Number 4, New York City Board of Education, September 1975.

Programs traditionally considered an integral, necessary part of public education in New York City have been slashed. Interscholastic sports, adult education classes, evening trade high schools, after-school compensatory and recreational programs, and even summer school for students attempting to accelerate or make up for past failures--these are a few of the programs cut by more than 50 percent this past year. Caught between the grinding forces of inflation and further budget cuts, the mere survival of these programs is now in serious jeopardy. With the new round of cutbacks, it remains to be seen whether something as basic as custodial and maintenance services will be sufficient to avoid major health code violations in many of the school system's older structures.

This past year we were forced to lay off 16.5 percent of our teaching staff. In fact, the reduction was so severe that pupil-teacher ratios increased to levels which have not been seen in New York City since 1964. And over the summer, yet another round of staff reductions was mandated by the city's three-year plan for fiscal recovery. This means that we start this new school year with an estimated cumulative cut in teachers, since June 1975, of 22.9 percent--a plunge from 56,623 to 43,630 teachers supported by city funds.* Additional teacher layoffs resulting from cuts in federally financed programs for the educationally disadvantaged are not even included in these figures.

During the present school year, at every level of instruction, pupil-teacher ratios will retrogress even further, back to what they were in

*For full details, see Appendix B, "Pupil-Staff Characteristics of the New York City Public Schools."

the late 1950's--a time when education suffered because of an acute teacher shortage.* The impact of this on all students is ominous, but especially so for those who have the least. In our special education programs for children with physical, mental, and emotional disabilities, pupil-teacher ratios will climb to levels that existed when the needs of the handicapped were largely overlooked by public officials. At best, this prior neglect was a "conspiracy of studied ignorance"--a conspiracy which was only recently broken as a result of legal challenges to the status quo by child advocacy groups, and judicial recognition that the promise of equal educational opportunity established by the 1954 Brown v. Board of Education decision should be extended to all. But now, under the cover of "fiscal responsibility," that promise is being broken.

The effects of the current fiscal crisis on staffing patterns are encapsulated below:

PUPIL-TEACHER RATIOS: 1960-61 TO 1976-77

| | 1960-61 | 1964-65 | 1974-75 | 1975-76 | 1976-77 |
|---|---|---|---|---|---|
| NUMBER OF PUPILS | 986,697 | 1,055,043 | 1,098,894 | 1,098,526 | 1,095,298 |
| GENERAL FUND TEACHERS | 39,460 | 46,157 | 56,623 | 47,307 | 43,630 |
| PUPILS PER TEACHER | 25 | 23 | 20 | 23 | 25 |
| Elementary | 30 | 26 | 24 | 28 | 29 |
| Junior High | 21 | 20 | 16 | 19 | 21 |
| High School | 25 | 23 | 22 | 27 | 30 |
| Special Education | 7 | 10 | 6 | 7 | 9 |

*For a general discussion of the relationship between pupil-teacher ratios and class size, see Appendix C, "Pupil-Teacher Ratio and Class Size."

These figures show an unmistakable reversal in the long-term trend towards lower pupil-teacher ratios. Yet even these stark indicators of regression obscure the true extent and impact of the budget cuts. The challenges facing the public school system today are far more complex than they were in the late 1950's and early 1960's:

- Our students are far poorer. In 1960, slightly more than 10 percent of the pupil population were eligible to receive free lunches because these children came from low-income families. By 1974, this poverty indicator had increased by a factor of five, to 5' percent.

- Not only are increasing numbers of pupils coming from poor families, many more of these pupils come from families that are dependent poor. Between 1960 and 1975, the number of children in families receiving some form of family assistance increased by more than 230 percent. In many school districts, more than one-third of the pupils are members of dependent poor families.

- There has been a complete reversal in the ethnic composition of our student population. In 1960, almost two-thirds of our students were white, but today those two-thirds are black and hispanic. Many observers, including civil rights leader Bayard Rustin, see more than casual irony in the "coincidence" of the school system's present ethnic composition and the drastic level of cutbacks.

- The number of "high cost" students, those in special education programs and in junior and senior high schools, is far higher today than it was in 1960. This development is usually overlooked by those drawing comparisons between teacher workloads in 1960 and today.

- Collective bargaining by teachers, a nation-wide phenomenon, has resulted in decreased "productivity." Teachers now have smaller classes and teach fewer hours than they did in 1960, back when low salaries and difficult working conditions made them objects of widespread and justifiable public sympathy. Nor are teachers today obliged to perform many other chores--such as supervising school cafeterias and extra-activities--considered a routine part of the job in 1960.

Some of these changes are illustrated in the following table:

PUPIL CHARACTERISTICS: 1960-61 TO 1976-77

| | 1960-61 | 1964-65 | 1974-75 | 1975-76 | 1976-77 |
|---|---|---|---|---|---|
| NUMBER OF PUPILS | 986,697 | 1,055,043 | 1,098,894 | 1,098,526 | 1,095,298 |
| Elementary | 557,696 | 580,481 | 537,272 | 525,232 | 512,530 |
| Junior High | 181,893 | 208,190 | 222,005 | 223,268 | 223,893 |
| High School | 227,492 | 242,865 | 305,596 | 312,322 | 317,200 |
| Special Education | 19,616 | 23,507 | 34,021 | 37,704 | 41,675 |
| PUPIL ETHNICITY | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Black | 21.5% | 27.4% | 36.6% | 36.6% | 36.8% |
| Hispanic | 15.6% | 17.9% | 28.0% | 28.9% | 29.3% |
| Other | 62.9% | 54.7% | 35.4% | 34.5% | 33.9% |
| PUPIL DISTRIBUTION | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Elementary | 56.5% | 55.1% | 48.9% | 47.9% | 46.8% |
| Junior High | 18.4% | 19.7% | 20.2% | 20.3% | 20.4% |
| High School | 23.1% | 23.0% | 27.8% | 28.4% | 29.0% |
| Special Education | 2.0% | 2.2% | 3.1% | 3.4% | 3.8% |
| FREE LUNCHES | 99,300 | 189,163 | 508,000 | 508,000 | 510,[illegible]0 |

A careful review of the literature on government finance, covering the period since 1900 (with special emphasis on the impact of the great depression of the 1930's), reveals that no municipal agency providing basic public services--education, police, fire, sanitation, welfare, and emergency health services for the indigent--has been forced to absorb cuts of the magnitude or at the rate experienced by the public schools of New York City over the past eighteen months.

Compared to the Board of Education, the Police and Fire Departments have been receiving much more city tax levy support. In the four years immediately preceding the onset of the fiscal crisis, usable tax levy allocations for police and fire grew twice as fast as education's; and since then, their allocations have been cut less.* The actual disparity is even worse because a substantial part of education's usable tax levy must support transit subsidies, health, and lunch programs -- expenses which the Police and Fire Departments do not have.

USABLE TAX LEVY FUNDS FOR EDUCATION, POLICE AND FIRE
(Millions of Dollars)

| FISCAL YEAR | EDUCATION | POLICE | FIRE |
|---|---|---|---|
| 1970-1971 | $ 720.0 | $ 543.5 | $ 196.2 |
| 1971-1972 | 845.3 | 492.6 | 217.0 |
| 1972-1973 | 877.5 | 504.3 | 236.4 |
| 1973-1974 | 872.4 | 589.4 | 236.9 |
| 1974-1975 | 861.4 | 661.6 | 283.2 |
| 1975-1976 | 821.5 | 634.8 | 264.3 |
| 1976-1977 | 757.3 | 604.4 | 257.4 |
| % INCREASE 1970-1971 TO 1976-1977 | 5.2% | 33.3% | 31.2% |

This drastic reduction in the Board of Education's budget has forced the extensive cuts in school system personnel, layoffs not just among teachers but in virtually every category of employment. In 1974-1975, the year just prior to the fiscal crisis, the public schools had a full-

*Usable tax levy is [illegible] to total tax levy less allocations for pensions, debt s[illegible]nd neat, light and power. For full details, see Appendix A.

time equivalent pedagogic/support staff of 87,673. A year later, the pedagogic/support staff was down to 70,617. And during the present school year, we estimate that the staff will plummet to 64,486. This means that within a two-year period, the school staff will have been cut by 23,187--an astounding 26% reduction in our workforce.

PEDAGOGIC/SUPPORT STAFF PAID BY GENERAL FUNDS

| | 1974-1975 | 1975-1976 | 1976-1977 (ESTIMATE) | CHANGE: 1974-1975 TO 1976-1977 NUMBER | PERCENT |
|---|---|---|---|---|---|
| Teacher (FTE) | 63,760 | 51,766 | 47,643 | -16,117 | -25% |
| Full-Time | 56,623 | 47,307 | 43,630 | -12,993 | -23% |
| FTE Per Diem | 4,272 | 2,654 | 2,389 | - 1,883 | -44% |
| FTE Per Session | 2,865 | 1,805 | 1,624 | - 1,241 | -43% |
| Guidance Counselor | 1,383 | 1,003 | 850 | - 533 | -39% |
| School Secretary | 3,550 | 3,036 | 2,823 | - 727 | -20% |
| Other UFT Titles | 979 | 753 | 678 | - 301 | -31% |
| Principal | 1,108 | 1,078 | 1,075 | - 33 | - 3% |
| Assistant Principal | 2,712 | 2,370 | 2,100 | - 612 | -23% |
| Other CSA Titles | 561 | 491 | 442 | - 119 | -21% |
| Paraprofessional (FTE) | 3,095 | 2,796 | 2,516 | - 579 | -19% |
| School Aide (FTE) | 8,365 | 6,009 | 5,109 | - 3,256 | -39% |
| School Guard (FTE) | 2,160 | 1,315 | 1,250 | - 910 | -42% |
| TOTAL PEDGOGIC AND SUPPORT STAFF | 87,673 | 70,617 | 64,486 | -23,187 | -26% |

Although I subscribe to the hard-nosed belief that the true measure of any publicly financed social service enterprise is output, not input--and in fact have instituted a number of management reforms based on this belief*--I must still conclude that New York City's public schools are being bludgeoned. Any similarity between the type of education being offered by our schools and what is commonly meant by equal educational opportunity, is at best speculative, and at worst a fabrication. If there is any relationship between the resources we commit and the subsequent level of student achievement--something accepted by a large number of middle-class parents who have put their children in costly private schools with pupil-teacher ratios half as low as ours--then more than one million children in our public school system are being denied equality of opportunity in an area of life they can least afford. I would be engaging in blind hypocrisy if I denied these facts.

This is the reality that confronts us. It will not go away, nor will it be transformed by well-meaning platitudes and rhetorical generalities about the need to live within the fiscal plan. The plan will be complied with because it is the law. But the price of compliance must not be ignored. The cost of settling yesterday's debt may be permanent bankruptcy for the school system, the institution whose performance will largely determine whether New York City's slide towards social and fiscal insolvency can be reversed. *Res ipsa loquiter.***

*See Appendix E, "Recent Management Reform Initiatives at the Board of Education," for more detailed information.

**The facts do indeed speak for themselves: see Appendix D, "Understanding the Impact of the Fiscal Crisis on the Board of Education's Budget," for a detailed presentation of data.

# Appendices


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## APPENDIX A
## UNDERSTANDING THE 1975-1976 CUTS IN THE EDUCATION BUDGET

Mayor Beame, in an official report submitted to the Emergency Financial Control Board, revealed that the public schools of New York City had been cut by $262 million during fiscal year 1975-1976.* This means that the schools fell more than a quarter of a billion dollars short of what would have been required to sustain the same level of instructional services provided in fiscal year 1974-1975. As the following table demonstrates, the services cut imposed on the public schools accounted for more than 25% of last year's $1.032 billion reduction in New York City's total budget:

1975-1976 SERVICE CUTS REPORTED BY THE MAYOR*
(Millions of Dollars)

| | | CITYWIDE | PUBLIC SCHOOLS | SCHOOLS' SHARE |
|---|---|---|---|---|
| April | 1975 | $ 490.4 | $135.2 | 27.6% |
| July | 1975 | 341.5 | 88.1 | 25.8 |
| October | 1975 | 200.0 | 38.7 | 19.4 |
| | TOTAL | $1,031.9 | $262.0 | 25.4% |

If one compares the size of the cut in education services with the Board's share of the city's total expense budget over the past few years, some interesting facts emerge. In the three fiscal years prior to 1975-1976, the Board received an average of 21.6% of the city's expense budget:

*Office of the Mayor, "New York City Financial Plan Program to Close Budget Gap, Fiscal Year 1977 and Fiscal Year 1978," March 25, 1976, p. 33.

EDUCATION BUDGET AS PERCENT OF CITY BUDGET
1972-1973 THROUGH 1974-1975[Δ]

| FISCAL YEAR | TOTAL CITY EXPENSE BUDGET* | NET PUBLIC SCHOOL BUDGET** | PERCENT OF TOTAL*** |
|---|---|---|---|
| 1972-1973 | $10,085,731,113 | $2,119,638,374 | 21.016209437% |
| 1973-1974 | 11,107,314,896 | 2,520,153,878 | 22.689136858% |
| 1974-1975 | 13,084,795,149 | 2,770,986,770 | 21.177150566% |
| | | Three-year Average | 21.627498954% |

Repeating these calculations for fiscal year 1975-1976 yields the following results:

| | |
|---|---|
| Total City Expense Budget | $13,261,646,495 |
| Net Public School Budget | $ 2,758,169,809 |
| Percent of Total*** | 20.798094792% |

If the city had cut public school services in proportion to the Board's prior 21.6% share of the total expense budget, then the schools would have received $2.868 billion in 1975-1976, or $110 million more than the amount actually appropriated. These compelling facts underly the simple intent

---

[Δ]The dollar amounts in this table are based on figures appearing in the "as modified" column in the adopted budgets for 1972-1973, 1973-1974, and 1974-1975.

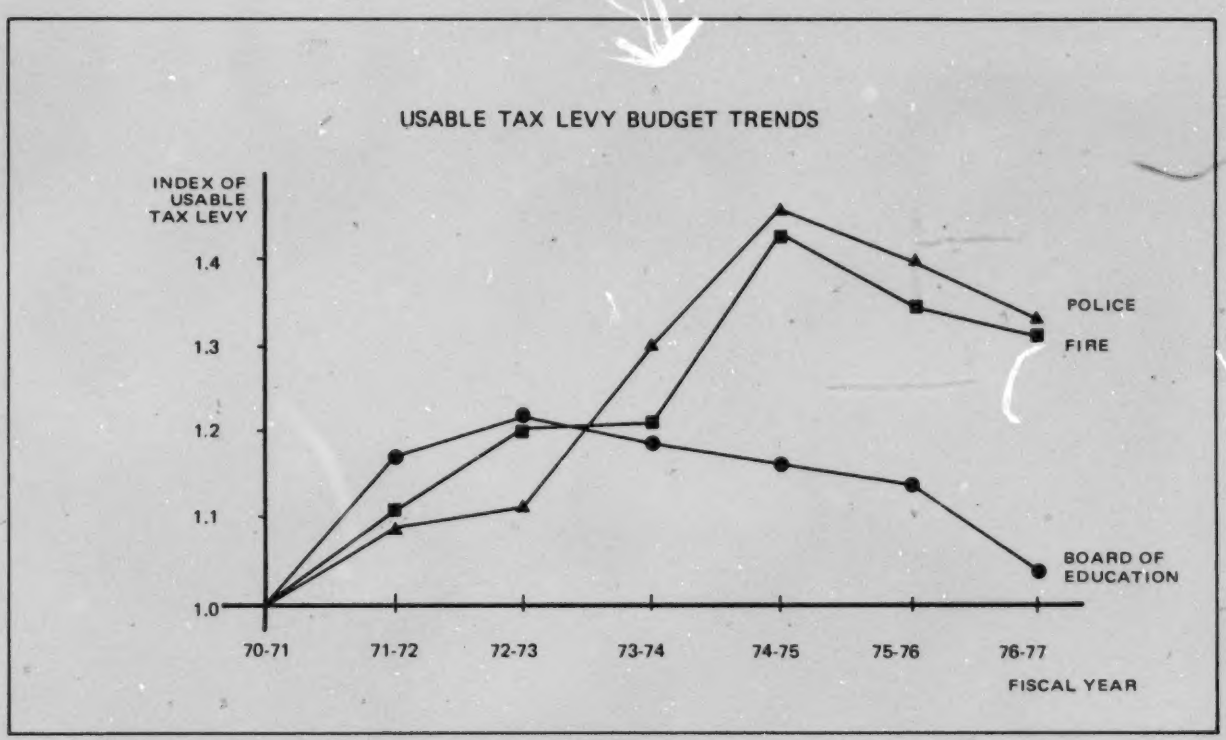
*The total city expense budget includes funds from all sources (city tax levy, city capital funds, state and federal aid) and expenditures for all purposes, both controllable and non-controllable (direct services, administration and support services, pensions and debt service).

**The net budgets for the public schools exclude amounts appropriated to the Department of Mental Health, Addiction Services Agency, and other appropriate codes for Work Relief Employment Program (WREP) and Comprehensive Employment Training Act (CETA).

***When dealing with billion dollar budgets, computing percentages to nine decimal places is absolutely essential. A seemingly trivial difference of less than one percent of the city's total expense budget amounts to a very substantial sum of money.

of the Stavisky-Goodman legislation, a law aimed at protecting the public schools from bearing a disproportionate share of the service cutbacks required to meet the city's financial crisis.

How have other vital services fared as a result of New York City's fiscal crisis? Compared to the Board of Education, the Police and Fire Departments have absorbed much smaller service cuts. The following chart shows that education's usable tax levy budget is now barely 5% higher than it was six years ago, while comparable budgets for police and fire have each increased by more than 30% (for a more detailed presentation of data, see Exhibit A-1).*




*Usable tax levy is equal to the total tax levy less allocations for debt service, pensions, and heat, light and power.

EXHIBIT A-1

# COMPARISON OF BOARD OF EDUCATION, POLICE AND FIRE DEPARTMENTS TAX LEVY BUDGETS

| | 1970-1971 MODIFIED | 1971-1972 MODIFIED | 1972-1973 MODIFIED | 1973-1974 MODIFIED | 1974-1975 MODIFIED | 1975-1976 MODIFIED | 1976-1977 ADOPTED |
|---|---|---|---|---|---|---|---|
| BOARD OF EDUCATION | | | | | | | |
| TOTAL TAX LEVY BUDGET | $1,007,738,513 | $1,033,677,721 | $1,182,582,208 | $1,360,852,550 | $1,366,966,255 | $1,409,525,506 | $1,468,170,597 |
| Debt Service | 151,046,057 | 163,833,304 | 196,015,032 | 211,639,325 | 231,351,471 | 255,986,422 | 345,200,000 |
| Pension | 126,409,127 | 13,203,148 | 93,924,156 | 259,971,823 | 254,715,386 | 302,171,469 | 339,175,534 |
| Heat, Light & Power | 10,302,870 | 11,339,500 | 15,101,123 | 16,828,732 | 19,485,800 | 29,869,500 | 26,460,900 |
| SUB-TOTAL | $ 287,758,054 | $ 188,375,952 | $ 305,040,311 | $ 488,439,880 | $ 505,552,657 | $ 588,027,391 | $ 710,836,434 |
| USABLE TAX LEVY | $ 719,980,459 | $ 845,301,769 | $ 877,541,897 | $ 872,412,670 | $ 861,413,598 | $ 821,498,115 | $ 757,334,163 |
| INDEX | 1.000 | 1.174 | 1.219 | 1.212 | 1.196 | 1.141 | 1.052 |
| POLICE DEPARTMENT | | | | | | | |
| TOTAL TAX LEVY BUDGET | $ 585,921,090 | $ 644,885,765 | $ 650,503,549 | $ 745,418,470 | $ 855,232,334 | $ 867,793,077 | $ 860,873,184 |
| Debt Service | 15,065,063 | 20,425,695 | 23,194,230 | 24,394,805 | 26,281,403 | 26,509,879 | 26,900,200 |
| Pension | 117,405,603 | 131,873,175 | 122,977,638 | 131,622,000 | 167,322,000 | 206,489,994 | 229,553,584 |
| Heat, Light & Power | -- | -- | -- | -- | -- | -- | -- |
| SUB-TOTAL | $ 132,470,666 | $ 152,298,870 | $ 146,171,868 | $ 156,016,805 | $ 193,603,403 | $ 232,999,873 | $ 256,453,784 |
| USABLE TAX LEVY | $ 453,450,424 | $ 492,586,895 | $ 504,331,681 | $ 589,401,665 | $ 661,628,931 | $ 634,793,204 | $ 604,419,400 |
| INDEX | 1.000 | 1.086 | 1.112 | 1.300 | 1.459 | 1.400 | 1.333 |
| FIRE DEPARTMENT | | | | | | | |
| TOTAL TAX LEVY BUDGET | $ 261,423,241 | $ 287,058,772 | $ 313,275,191 | $ 319,247,691 | $ 374,706,265 | $ 365,565,382 | $ 356,609,646 |
| Debt Service | 3,954,729 | 6,085,795 | 8,075,322 | 9,714,560 | 12,217,573 | 11,841,157 | 10,384,900 |
| Pension | 61,268,040 | 63,938,233 | 68,821,891 | 72,636,313 | 79,244,900 | 89,456,700 | 88,866,929 |
| Heat, Light & Power | -- | -- | -- | -- | -- | -- | -- |
| SUB-TOTAL | $ 65,222,769 | $ 70,024,028 | $ 76,897,213 | $ 82,350,873 | $ 91,462,473 | $ 101,297,857 | $ 99,251,829 |
| USABLE TAX LEVY | $ 196,200,472 | $ 217,034,744 | $ 236,377,978 | $ 236,896,818 | $ 283,243,792 | $ 264,267,525 | $ 257,357,817 |
| INDEX | 1.000 | 1.106 | 1.205 | 1.207 | 1.444 | 1.347 | 1.312 |

Even this comparison understates the full impact of the recent service cuts because education's usable tax levy must support transit subsidies, health, and lunch programs that police and fire do not have.

Public school service cuts, up to this point discussed solely in terms of dollars, are directly translated into staff reductions at all levels: principals, assistant principals, subject supervisors, teachers, guidance counselors, laboratory specialists, school secretaries, para-professionals, school aides, and school guards. Exhibits A-2 and A-3 show the number of full-time equivalent staff working in the public school system for each of the past two years, and estimate what this year's staffing level will be. The cuts in staff supported by general, non-reimbursable funds (i.e. revenue from city tax levy and capital funds, general state education aid, and funds from general state revenue sharing) have been horrendous.

At the end of the last school year, there were 12,000 fewer full-time equivalent teachers (i.e. regular, full-time per diem, and per session teachers) than in the previous year. Now that this new school year has begun, an additional 4,000 full-time equivalent teachers have been laid off. The drastic reduction in teachers has resulted in:

- Shortening the school day twice a week at the elementary and intermediate levels so that teachers can work on preparation or administrative assignments without the need for classroom coverage.
- Increasing class sizes at all levels by an average of four to five pupils.
- Doubling the workload of teachers serving homebound pupils.
- Increasing the classroom workload of teachers in Title I junior high schools.

EXHIBIT A-2

# CHANGE IN NUMBER OF PEDAGOGIC, ADMINISTRATIVE AND HOURLY PERSONNEL SUPPORTED BY GENERAL FUNDS*

| | 1974-1975 | 1975-1976 | CHANGE FROM 1974-75 TO 1975-76 NUMBER | CHANGE FROM 1974-75 TO 1975-76 PERCENT | 1976-1977 (ESTIMATE) | CHANGE FROM 1975-76 TO 1976-77 NUMBER | CHANGE FROM 1975-76 TO 1976-77 PERCENT | CHANGE FROM 1974-75 TO 1976-77 NUMBER | CHANGE FROM 1974-75 TO 1976-77 PERCENT |
|---|---|---|---|---|---|---|---|---|---|
| Teacher | 63,760 | 51,766 | - 11,994 | - 19% | 47,643 | - 4,123 | - 8% | - 16,117 | - 25% |
| Full-Time | 56,623 | 47,307 | - 9,316 | - 16% | 43,630 | - 3,677 | - 8% | - 12,992 | - 23% |
| FTE Per Diem++ | 4,272 | 2,654 | - 1,618 | - 38% | 2,389 | - 265 | - 10% | - 1,883 | - 44% |
| FTE Per Session++ | 2,865 | 1,805 | - 1,060 | - 37% | 1,624 | - 181 | - 10% | - 1,241 | - 43% |
| Guidance Counselor | 1,383 | 1,003 | - 380 | - 27% | 850 | - 153 | - 15% | - 533 | - 39% |
| School Secretary | 3,550 | 3,036 | - 514 | - 14% | 2,823 | - 213 | - 7% | - 727 | - 20% |
| Other UFT Titles* | 979 | 753 | - 226 | - 23% | 678 | - 75 | - 10% | - 301 | - 31% |
| Principal | 1,108 | 1,078Δ | - 30 | - 3% | 1,075 | - 3 | 0.3% | - 33 | - 3% |
| Assistant Principal | 2,712 | 2,370Δ | - 342 | - 13% | 2,100Δ | - 270 | - 11% | - 612 | - 23% |
| Other CSA Titles** | 561 | 491Δ | - 70 | - 12% | 442Δ | - 49 | - 10% | - 119 | - 21% |
| Other Pedagogues∇ | 213 | 205 | - 8 | - 4% | 185 | - 20 | - 10% | - 28 | - 13% |
| FTE Para Professional∆∆ | 3,095 | 2,796 | - 299 | - 10% | 2,516 | - 280 | - 10% | - 579 | - 19% |
| FTE School Aide∆∆ | 8,365 | 6,009 | - 2,356 | - 28% | 5,109 | - 900 | - 15% | - 3,256 | - 39% |
| FTE School Guard∆∆ | 2,160 | 1,315 | - 845 | - 39% | 1,250 | - 65 | - 5% | - 910 | - 42% |
| Adminstrative | 4,020 | 3,626 | - 394 | - 10% | 3,263 | - 363 | - 10% | - 757 | - 19% |
| Mechanics & Hourly Administrative∇∇ | 780 | 634 | - 146 | - 19% | 570 | - 64 | - 10% | - 210 | - 27% |
| School Lunch (Annual) | 1,863 | 1,755 | - 108 | - 6% | 1,579 | - 176 | - 10% | - 284 | - 15% |
| FTE School Lunch (Hourly)∆∆ | 6,815 | 6,231 | - 584 | - 9% | 5,608 | - 623 | - 10% | - 1,207 | - 18% |
| Custodian | 1,062 | 1,058 | - 4 | -0.4% | 1,038 | - 20 | - 2% | - 24 | - 2% |
| TOTAL | 102,426 | 84,126 | - 18,300 | - 18% | 76,729 | - 7,397 | - 9% | - 25,697 | - 25% |

*These figures, rather than being estimates derived from budget data, are based on actual payroll records of the Board of Education. Full-time teacher data are from payrolls for June 1975 and 1976. Full-time equivalent teacher data are averages from payrolls for December, January, and February of the 1974-1975 and 1975-1976 school years. Data on hourly titles are from payrolls for the months of February 1975 and 1976 and June 1975 and 1976.

++The number of full-time equivalent teachers is computed as follows:

$$\text{FTE PER DIEM TEACHERS} = \text{TOTAL PAYROLL FOR PER DIEM TEACHERS} \div \text{DAILY PER DIEM RATE} \div \text{NUMBER OF SCHOOL DAYS IN YEAR}$$

$$\text{FTE PER SESSION TEACHERS} = \text{TOTAL PAYROLL FOR PER SESSION TEACHERS} \div \text{HOURLY PER SESSION RATE} \div \text{NUMBER OF HOURS IN SCHOOL DAY} \div \text{NUMBER OF SCHOOL DAYS IN YEAR}$$

There are 180 school days in a year and 5.5 working hours in a school day. The daily per diem rate for 1974-1975 averaged $62; for 1975-1976, the rate was a flat $40. The hourly per session rate was a flat $13.30.

*Other UFT Titles: School Psychologist, School Social Worker, Laboratory Specialist and Technician, Attendance Officer.

**Other CSA Titles: Director, Assistant Director, Assistant Administrative Director, Supervisor, Attendance Officer, Psychiatrist.

ΔFor 1975-1976, includes 106 assistant principals and 29 supervisors kept on the payroll as a result of the supervisors' union (CSA) surrendering contractually agreed to cost-of-living-adjustments for 1975-1976. A similar arrangement has been worked out for 1976-1977.

ΔΔThe number of full-time equivalent paraprofessionals, school aides, school guards, and school lunch helpers is computed as follows:

$$\text{FTE STAFF} = \text{TOTAL NUMBER OF PAYROLL HOURS} \div \text{NUMBER OF HOURS IN SCHOOL DAY} \div \text{NUMBER OF SCHOOL DAYS IN YEAR}$$

There are 5.5 working hours in a school day and 180 school days in a year.

∇Other pedagogues: Chancellor, Deputy Chancellor, Superintendent, Deputy Superintendent, Assistant Adminstrative Director, Director, Research Associate and Assistant, Library Assistant, Substitute School Secretary Intern, Industrial Arts Technician, Machine Shop Assistant, teachers on certificate of competency.

∇∇Personnel on the Mechanics and Hourly administrative payroll have full-time positions, but are paid on an hourly basis.

EXHIBIT A-3

# CHANGE IN NUMBER OF PEDAGOGIC, ADMINISTRATIVE AND HOURLY PERSONNEL SUPPORTED BY REIMBURSABLE FUNDS*

| | 1974-1975 | 1975-1976 | CHANGE FROM 1974-75 TO 1975-76 NUMBER | CHANGE FROM 1974-75 TO 1975-76 PERCENT | 1976-1977 (ESTIMATE) | CHANGE FROM 1975-76 TO 1976-77 NUMBER | CHANGE FROM 1975-76 TO 1976-77 PERCENT | CHANGE FROM 1974-7 TO 1976-77 NUMBER | CHANGE FROM 1974-7 TO 1976-77 PERCENT |
|---|---|---|---|---|---|---|---|---|---|
| Teacher | 6,592 | 5,515 | - 1,077 | - 16% | | | | | |
| Full-Time | 5,143 | 4,675 | - 468 | - 9% | | | | | |
| FTE Per Diem++ | 434 | 212 | - 222 | - 52% | | | | | |
| FTE Per Session++ | 1,015 | 628 | - 387 | - 38% | | | | | |
| Guidance Counselor | 181 | 234 | + 53 | + 29% | | | | | |
| School Secretary | 130 | 101 | - 29 | - 22% | | | | | |
| Other UFT Titles* | 72 | 67 | - 5 | - 7% | | | | | |
| Principal | 14 | 15Δ | + 1 | + 7% | | | | | |
| Assistant Principal | 54 | 53Δ | - 1 | - 2% | | | | | |
| Other CSA Titles** | 70 | 53Δ | - 17 | - 24% | | | | | |
| Other Pedagogues∇ | 166 | 228 | + 62 | + 37% | | | | | |
| FTE Para Professional ΔΔ | 11,261 | 9,160 | - 2,101 | - 19% | | | | | |
| FTE School Aide ΔΔ | 2,364 | 1,743 | - 621 | - 26% | | | | | |
| FTE School Guard ΔΔ | 610 | 382 | - 228 | - 37% | | | | | |
| Adminstrative | 928 | 843 | - 85 | - 9% | | | | | |
| Mechanics & Hourly Administrative∇∇ | 223 | 156 | - 67 | - 30% | | | | | |
| CETA | 1,388 | 1,141 | - 247 | - 18% | | | | | |
| TOTAL | 24,053 | 19,691 | - 4,362 | - 18% | | | | | |

+These figures, rather than being estimates derived from budget data, are based on actual payroll records of the Board of Education. Full-time teacher data are from payrolls for June 1975 and 1976. Full-time equivalent teacher data are averages from payrolls for December, January, and February of the 1974-1975 and 1975-1976 school years. Data on hourly titles are from payrolls for the months of February 1975 and 1976 and June 1975 and 1976. It is not possible to estimate the 1976-1977 number of personnel supported by reimbursable funds. The federal government has still not given final approval of all proposals.

++The number of full-time equivalent teachers is computed as follows:

FTE PER DIEM TEACHERS = TOTAL PAYROLL FOR PER DIEM TEACHERS ÷ DAILY PER DIEM RATE ÷ NUMBER OF SCHOOL DAYS IN YEAR

FTE PER SESSION TEACHERS = TOTAL PAYROLL FOR PER SESSION TEACHERS ÷ HOURLY PER SESSION RATE ÷ NUMBER OF HOURS IN SCHOOL DAY ÷ NUMBER OF SCHOOL DAYS IN YEAR

There are 180 school days in a year and 5.5 working hours in a school day. The daily per diem rate for 1974-1975 averaged $62; for 1975-1976, the rate was a flat $40. The hourly per session rate was a flat $13.30.

*Other UFT Titles: School Psychologist, School Social Worker, Laboratory Specialist and Technician, Attendance Officer.

**Other CSA Titles: Director, Assistant Director, Assistant Administrative Director, Supervisor, Attendance Officer, Psychiatrist.

ΔFor 1975-1976, includes 106 assistant principals and 29 supervisors kept on the payroll as a result of the supervisors' union (CSA) surrendering contractually agreed to cost-of-living-adjustments for 1975-1976. A similar arrangement has been worked out for 1976-1977.

ΔΔThe number of full-time equivalent paraprofessionals, school aides and school guards is computed as follows:

FTE STAFF = TOTAL NUMBER OF PAYROLL HOURS ÷ NUMBER OF HOURS IN SCHOOL DAY ÷ NUMBER OF SCHOOL DAYS IN YEAR

There are 5.5 working hours in a school day and 180 school days in a year.

∇Other pedagogues: Chancellor, Deputy Chancellor, Superintendent, Deputy Superintendent, Assistant Administrative Director, Director, Research Associate and Assistant, Library Assistant, Substitute School Secretary Intern, Industrial Arts Technician, Machine Shop Assistant, teachers on certificate of competency.

∇∇Personnel on the mechanics and hourly administrative payrolls have full-time positions, but are paid on an hourly basis.

- Reducing the breadth and depth of elective courses available to high school pupils.
- Dropping instructional programs taught by specialist teachers in reading, mathematics, music, art, and library.
- Severely curtailing after-school and summer programs.
- Nearly eliminating adult high school and evening trade school programs.

The services of guidance counselors, already spread thin prior to last year's reductions, have been stretched even thinner. This year, there will only be one guidance counselor for every 1,000 high school students. In the elementary and junior high schools, the ratio of guidance counselors to pupils will be one to 1,700.

The number of school administrators and supervisors has also been reduced, but proportionately less than teachers. There has been only a slight drop in principals for the simple reason that every school in the city must have one. The reduction in assistant principals and subject area supervisors would have been much greater than it actually was if the Council of Supervisors and Administrators had not given up cost-of-living adjustments in order to keep so many of its members from being laid off.

In addition to the drastic cuts in pedagogues, the number of administrative emmployees has been reduced significantly. These are the employees who provide the broad range of business-related services required to keep the school system functioning -- everything from preparing and processing payrolls, purchase orders, and personnel actions to conducting financial audits and management studies. In the true sense of productivity, a much smaller administrative staff is handling an even greater workload generated by the fiscal crisis.

In summary, New York City's public schools have lost the full-time equivalent services of 31,725 staff members since the onset of fiscal retrenchment. The total school staff reduction of 25% is greater than that of all the city's uniformed services (police, fire, sanitation, corrections) combined.*

BOARD OF EDUCATION STAFF REDUCTIONS

| | 1974-1975 | 1975-1976 | 1976-1977 (ESTIMATE) | CHANGE: 1974-1975 TO 1976-1977 NUMBER | PERCENT |
|---|---|---|---|---|---|
| General Funds | | | | | |
| Pedagogic & Para-professional ΔΔ | 77,361 | 63,498 | 58,312 | -19,049 | - 25% |
| Other Staff ΔΔ | 25,065 | 20,628 | 18,417 | - 6,648 | - 27% |
| TOTAL | 102,426 | 84,126 | 76,729 | -25,697 | - 25% |
| Reimbursable Funds | | | | | |
| Pedagogic & Para-professional | 18,540 | 15,426 | 13,975Δ | - 4,565 | - 25% |
| Other Staff | 5,513 | 4,265 | 4,050Δ | - 1,463 | - 27% |
| TOTAL | 24,053 | 19,691 | 18,025Δ | - 6,028 | - 25% |
| All Funds | | | | | |
| Pedagogic & Para-professional | 95,901 | 78,924 | 72,287 | -23,614 | - 25% |
| Other Staff | 30,578 | 24,893 | 22,467 | - 8,111 | - 27% |
| TOTAL | 126,479 | 103,817 | 94,754 | -31,725 | - 25% |

*This conclusion is based on data issued by the Office of Management and Budget (reported in the New York Times, (November 12, 1975), and the Office of the Comptroller ("Comptroller's Report," June 1976.)

ΔThe 1976-1977 staff supported by reimbursable funds is a very crude estimate that assumes reductions comparable to those of general funds. A solid estimate cannot be made until the federal government gives final approval to applications for reimbursable monies.

ΔΔPedagogues: principal, assistant principal, teacher, guidance counselor, school secretary, et al. Paraprofessions: educational assistant, educational associate, teacher aide, teacher assistant, et al. Other staff: administrative titles, school lunch helper, school aide, school guard, custodian, et al.

# APPENDIX B

## EXHIBIT B-1

## PUPIL-STAFF CHARACTERISTICS OF THE NEW YORK CITY PUBLIC SCHOOLS

| | 1960-61 | 1964-65 | 1974-75 | 1975-76 | 1976-77[+] |
|---|---|---|---|---|---|
| NUMBER OF PUPILS | 986,697 | 1,055,043 | 1,098,894 | 1,098,526 | 1,095,298 |
| Elementary | 557,696 | 580,481 | 537,272 | 525,232 | 512,530 |
| Junior High | 181,893 | 208,190 | 222,005 | 223,268 | 223,893 |
| High School | 227,492 | 242,865 | 305,596 | 312,322 | 317,200 |
| Special Education | 19,616 | 23,507 | 34,021 | 37,704 | 41,675 |
| PUPIL ETHNICITY | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Black | 21.5% | 27.4% | 36.6% | 36.6% | 36.8% |
| Hispanic | 15.6% | 17.9% | 28.0% | 28.9% | 29.3% |
| Other | 62.9% | 54.7% | 35.4% | 34.5% | 33.9% |
| GENERAL FUND TEACHERS[++] | 39,460* | 46,157* | 56,623** | 47,307** | 43,630 |
| Elementary | 18,630 | 22,364 | 22,665 | 18,894 | 17,530 |
| Junior High | 8,714 | 10,754 | 13,892 | 11,580 | 10,740 |
| High School | 9,296 | 10,424 | 13,863 | 11,410 | 10,480 |
| Special Education | 2,660 | 2,458 | 5,726 | 5,214 | 4,700 |
| Other Assignments | 160 | 157 | 477 | 209 | 180 |
| GUIDANCE COUNSELORS | 878 | 843 | 1,383 | 1,003 | 850 |
| ASSISTANT PRINCIPALS | 1,850 | 2,000 | 2,712 | 2,370[Δ] | 2,100 |
| FREE LUNCHES*** | 99,300 | 189,163 | 508,000 | 508,000 | 510,000 |

[+]Estimated number of teachers: June 1977.

[++]General funds include city tax levy, vocational education (capital) and state formula funds; only reimbursable program funds are excluded. Teacher totals exclude occasional per diem teachers (who cover classes for absent teachers or teachers on long-term sick leave) and part time teachers (who are employed in after-school activities such as adult education, interscholastic sports, summer school, etc.).

*Estimated net budget positions excluding accrual positions mandated by mayor.

**Payroll data used for 1974-75 and 1975-76.

***Daily average number of free lunches served; actual number of pupils eligible for free lunch is greater.

[Δ]Excludes 106 assistant principals kept on the payroll as a result of the supervisors' union surrendering contractually agreed to cost-of-living-adjustments for 1975-1976. A similar arrangement has been worked out for 1976-1977.

## APPENDIX C
## PUPIL-TEACHER RATIO AND CLASS SIZE

Most discussions concerning the impact of the budget cuts on the public schools tend to converge on the importance of class size as a key measure of educational quality. Obviously, the pupil-teacher ratio is nothing more than a surrogate measure of class size. At the risk of over-simplification, the average class size for each instructional level may be estimated by multiplying the pupil-teacher ratio by 140 percent. The reason for this disparity is rather easy to explain. Teachers, at least at the intermediate and high school level, in accordance with the regulations of the New York State Commissioner of Education and the contract between the Board of Education and the United Federation of Teachers (UFT), teach a maximum of 25 periods a week. The instructional workload for the "average" intermediate and high school student is 35 periods a week. Thus it requires more than one teacher to fully cover a class of "average" students (in this example, 1 + 10/25 = 1.4 or 14 teachers for every 10 classes).

## APPENDIX D
## UNDERSTANDING THE IMPACT OF THE FISCAL CRISIS ON THE BOARD OF EDUCATION'S BUDGET


| | |
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## THE FORM AND STRUCTURE OF THE BOARD'S BUDGET

Before one can accurately assess the impact of the fiscal crisis on the 1976-1977 adopted budget for the New York City Board of Education, it is first necessary to understand the general form and structure of the budget itself, and then look at major budgetary trends over the past few years. This section explains some of the basic concepts and terms commonly used in discussing the Board of Education's budget. In addition, the adopted budget for 1976-1977 is put into an historical perspective by comparing it with budgets for the previous two years.

Each year, the mayor provides the Board of Education with an "executive budget" for operating the public schools. Once this budget is prepared, it is submitted to the City Council and the Board of Estimate for their consideration. After a period of deliberation, during which public hearings are held, a modified form of the budget is returned to the mayor. When this is approved, it then becomes the "adopted budget," the actual budget under which the Board of Education will operate during the coming fiscal year. Strictly speaking, however, both the executive and the adopted budgets express priorities set by the mayor, the Board of Estimate, and the City Council. These priorities must then be implemented by the Board of Education.

The Board of Education's adopted budget for fiscal year 1976-1977 is reproduced in its simplest form in Exhibit D-1. As this exhibit indicates, the budget is organized according to various "programs." Each program is

EXHIBIT D-1

THE 1976-1977 ADOPTED BUDGET FOR

THE NEW YORK CITY BOARD OF EDUCATION

| Program Number | Program Title | Authorized Amount For FY 1976-1977 |
|---|---|---|
| 1 | City Board of Education | $ 1,697,463 |
| 2 | City General Administration | 10,048,468 |
| 3 | Division of Personnel | 5,203,546 |
| 4 | Division of Educational Planning and Support | 6,849,511 |
| 5 | Division of High Schools | 644,441,563 |
| 6 | Division of School Buildings | 24,911,385 |
| 7 | Division of Business Administration and Support Services | 30,391,451 |
| 9 | Centralized and Decentralized Reimbursable Programs | 195,015,000 |
| 11 | Light, Heat and Power | 26,460,900 |
| 12 | Debt Service | 347,700,000 |
| 13 | Medical, Dental, Health Services | 9,144,435 |
| 14 | Non-Public Schools, Fashion Institute of Technology, etc. | 49,508,224 |
| 16 | Division of Special Education and Pupil Personnel Services | 183,383,990 |
| 23 | Youthful Drug Abuser Prevention Programs | 8,049,215 |
| 24 | Federal Employment Programs | 0 |
| 25 | Work Relief Employment Program | 0 |
| 26 | Comprehensive Employment and Training Act | 0 |
| 30 | Community District Instruction and Administration | 1,103,656,928 |
| 31 | Division of Community District Affairs | 120,041,020 |
| 50 | Unallocated Appropriation Personal Service | 0 |
| | TOTAL | $ 2,766,503,099 |

associated with a major educational or administrative responsibility, function, or task.

Many of the programs listed in the Board's budget, in spite of the simplified titles they are given, actually subsume a multiplicity of functions, responsibilities, and tasks. For example, Program 31 -- Community School District Affairs -- provides a variety of essential support services directly to the thirty-two community school districts. This functional diversity within a program is evident in the following budget breakdown:

PROGRAM 31 -- COMMUNITY SCHOOL DISTRICT AFFAIRS

| FUNCTIONS | 1976-1977 ADOPTED BUDGET |
|---|---|
| Custodial and Maintenance | $ 74,304,176 |
| Transportation | 27,492,413 |
| Child Guidance | 7,034,980 |
| School Safety | 2,579,999 |
| District Affairs | 781,760 |
| Pensions | 136,578 |
| Fringe Benefits | 7,711,114 |
| TOTAL PROGRAM 31 | $120,041,020 |

In addition to the complication of having various functions performed within a given program, many of the programs in the Board's budget are actually controlled by other governmental agencies and institutions. In other words, the Board is not in the position of being able to exercise discretion over all of the programs in its budget. Depending on the primary locus of expenditure control, the Board's budget programs can be rearranged into the following four groups:

GROUP A - DIRECT EDUCATIONAL PROGRAMS

1 - City Board of Education
2 - City General Administration
3 - Division of Personnel
4 - Division of Educational Planning and Support
5 - Division of High Schools
6 - Division of School Buildings
7 - Division of Business and Administration
16 - Division of Special Education and Pupil Personnel Services
30 - Community District Instruction and Administration
31 - Community School District Affairs
50 - Unallocated Appropriation - Personal Service

GROUP B - REIMBURSABLE STATE AND FEDERAL PROGRAMS

9 - Centralized and Decentralized Reimbursable Programs
23 - Youthful Drug Abuser Prevention Programs
24 - Federal Employment Programs
25 - Work Relief Employment Program
26 - Comprehensive Employment and Training Act

GROUP C - SERVICES FOR NON-PUBLIC SCHOOLS

14 - Non-Public Schools

GROUP D - PROGRAMS MANAGED BY OTHER CITY AGENCIES

11 - Light, Heat and Power (Department of Public Works)
12 - Debt Service (Comptroller)
13 - Medical, Dental and Health Programs (Department of Health)

The Board of Education exercises very limited expenditure control over all programs listed in Groups B, C, and D. The situation is similar with regard to parts of the programs listed under Group A. Thus, DIRECT EDUCATIONAL PROGRAMS can further be divided into sub-groups:

GROUP A-1: FUNDS CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROGRAMS (including salaries and other than personal service costs)

- Instruction.
- Administration and support services.

GROUP A-2: OBLIGATIONS OVER WHICH THE BOARD HAS LIMITED CONTROL

- Pensions for all employees working in direct educational programs.
- Fringe benefit payments for all employees working in direct educational programs.
- Transportation for public school pupils.
- Lunch programs for public school pupils.
- Custodial and building maintenance
- Restricted funds (mayor's approval required).

Continuing our earlier example of the functional diversity within a program, the budget for Community School District Affairs (Program 31) can be rearranged according to the following groups:

LOCUS OF EXPENDITURE CONTROL WITHIN PROGRAM 31

| GROUP | PROGRAM 31 | 1976-1977 ADOPTED BUDGET |
|---|---|---|
| GROUP A: DIRECT EDUCATIONAL PROGRAMS | Community School District Affairs | $120,041,020 |
| GROUP A1: FUNDS CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROGRAMS | | $ 10,396,739 |
| • Instructional Services: | • Child Guidance | 7,034,980 |
| | • School Safety | 2,579,999 |
| • Administration: | • District Affairs | 781,760 |
| GROUP A2: NON-DISCRETIONARY OBLIGATIONS | | $109,644,281 |
| | • Pensions | 136,578 |
| | • Fringe Benefits | 7,711,114 |
| | • Transportation | 27,492,413 |
| | • Custodial and Building Maintenance | 74,304,176 |

All of the program groups composing the Board of Education's budget are illustrated in Exhibit D-2. The Board's budgets for fiscal years 1974-1975, 1975-1976, and 1976-1977 (see Exhibits D-3, D-4, and D-5) are arranged to reflect these program groups.

BUDGET TRENDS: 1970-1971 TO 1975-1976

The Board of Education's budget, nearly $2.8 billion in 1975-1976, has increased dramatically by 45% over the past six years (see Exhibits D-6 and D-7). Although one might suppose that this increase places the Board in an advantageous financial position, the picture dims considerably if one analyzes where and by how much the increases have occurred.

The portion of the budget over which the Board exercises limited control has increased by an astounding 73%. Within this portion of the budget, various non-discretionary items and programs controlled by other agencies showed the following increases:

- Debt service costs grew 71%
- Light, heat, and power costs grew 190%.
- Pension contributions grew 184%.
- Pupil transportation subsidies grew 116%.
- School lunch subsidies grew 214%.

Exhibit D-2

## BOARD OF EDUCATION BUDGET
## PROGRAM GROUPS

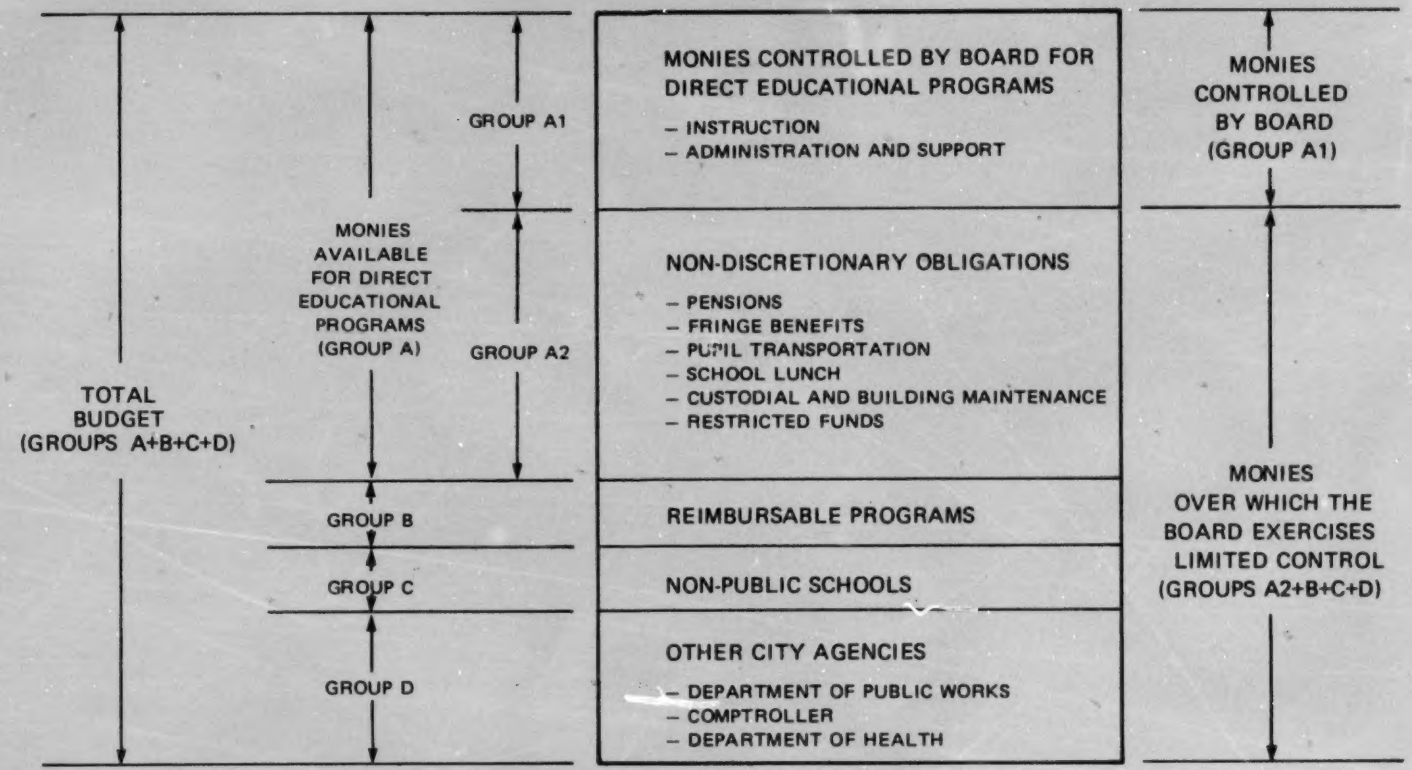


EXHIBIT D-3

# BOARD OF EDUCATION BUDGET: 1974-1975

| PROGRAM | GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | | | | | | | | GROUP B REIMBURSABLE PROGRAMS | GROUP C NON-PUBLIC SCHOOLS | GROUP D OTHER CITY AGENCIES | TOTAL | PROGRAM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROG. | GROUP A2: NON-DISCRETIONARY OBLIGATIONS | | | | | | | | | | | |
| | INSTRUCTION | ADMINISTRATION AND SUPPORT | PENSIONS | FRINGE BENEFITS | PUPIL TRANSPORTATION | SCHOOL LUNCH | CUSTODIAL & BUILDING MAINTENANCE | RESTRICTED FUNDS (COLLECTIVE BARG.) | | | | | |
| 1 City Board of Education | $ - | $ 1,638,599 | $ 167,671 | $ 84,104 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,890,374 | 1 |
| 2 City General Administration | - | 9,050,548 | 760,076 | 525,722 | - | - | - | - | - | - | - | 10,336,346 | 2 |
| 3 Personnel | - | 6,564,764 | 650,268 | 305,560 | - | - | - | - | - | - | - | 7,520,592 | 3 |
| 4 Educational Planning and Support | - | 9,742,926 | 1,025,439 | 330,936 | - | - | - | - | - | - | - | 11,099,301 | 4 |
| 5 High Schools | $ 364,258,630 | - | 130,615,650 | 37,517,465 | $ 30,835,786 | $ 21,083,464 | $ 39,030,329 | - | - | - | - | 623,341,324 | 5 |
| 6 School Buildings | - | - | 1,426,654 | 1,667,985 | - | - | 24,900,920 | $15,580 | - | - | - | 28,011,139 | 6 |
| 7 Business & Administration | - | 18,296,820 | 4,032,228 | 3,937,729 | 732,236 | 7,043,340 | - | 52,510 | - | - | - | 34,094,863 | 7 |
| 9 Centralized and Decentralized Reimbursable Programs | - | - | - | - | - | - | - | - | $258,681,010 | - | - | 258,681,010 | 9 |
| 11 Light, Heat & Power | - | - | - | - | - | - | - | - | - | - | $ 19,485,800 | 19,485,800 | 11 |
| 12 Debt Service | - | - | - | - | - | - | - | - | - | - | 233,851,471 | 233,851,471 | 12 |
| 13 Medical, Dental, Health | - | - | - | - | - | - | - | - | - | - | 11,955,110 | 11,955,110 | 13 |
| 14 Non-Public Schools | - | - | - | - | - | - | - | - | - | $48,541,579 | - | 48,541,579 | 14 |
| 16 Special Education | 151,300,341 | - | 3,345,330 | 11,534,549 | 46,384,548 | - | - | - | - | - | - | 212,564,766 | 16 |
| 23 Youthful Drug Abuser Prevention Program | - | - | - | - | - | - | - | - | 15,666,000 | - | - | 15,666,000 | 23 |
| 24 Emergency Employment Act - Reimbursable Programs | - | - | - | - | - | - | - | - | 10,995,174 | - | - | 10,995,174 | 24 |
| 25 Work Relief Program | - | - | - | - | - | - | - | - | 1,132,811 | - | - | 1,132,811 | 25 |
| 26 Comprehensive Employment and Training Act | - | - | - | - | - | - | - | - | 5,131,449 | - | - | 5,131,449 | 26 |
| 30 Community District Instruction & Administration | 850,454,747 | - | 188,913,503 | 70,702,898 | - | 75,309,466 | 32,771,216 | - | - | - | - | 1,218,151,830 | 30 |
| 31 Community District Affairs | 11,854,262 | 1,335,558 | 257,578 | 7,039,198 | 22,751,308 | - | 70,591,984 | - | - | - | - | 113,829,888 | 31 |
| TOTAL | $1,377,867,980 | $46,629,215 | $331,194,397 | $133,646,146 | $100,703,876 | $103,436,270 | $167,294,419 | $68,090 | $291,606,444 | $48,541,579 | $265,292,381 | $2,866,280,827 | |

*Excludes EM-320 which increases Program 23.

EXHIBIT D-4

# BOARD OF EDUCATION BUDGET: 1975-1976 (EM-136)

| PROGRAM | GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | | | | | | | | GROUP B REIMBURSABLE PROGRAMS | GROUP C NON-PUBLIC SCHOOLS | GROUP D OTHER CITY AGENCIES | TOTAL | PROGRAM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROG. | | GROUP A2: NON-DISCRETIONARY OBLIGATIONS | | | | | | | | | | |
| | INSTRUCTION | ADMINISTRATION AND SUPPORT | PENSIONS | FRINGE BENEFITS | PUPIL TRANSPORTATION | SCHOOL LUNCH | CUSTODIAL & BUILDING MAINTENANCE | RESTRICTED FUNDS | | | | | |
| 1 City Board of Education | $ - | $ 1,460,688 | $ 167,671 | $ 69,104 | $ - | $ - | $ - | $ 29,380 | $ - | $ - | $ - | $ 1,726,843 | 1 |
| 2 City General Administration | - | 8,810,523 | 751,076 | 561,553 | - | - | - | 38,220 | - | - | - | 10,161,372 | 2 |
| 3 Personnel | - | 4,466,279 | 636,268 | 184,260 | - | - | - | 415,591 | - | - | - | 5,702,398 | 3 |
| 4 Educational Planning and Support | - | 5,617,243 | 1,040,439 | 237,936 | - | - | - | 742,293 | - | - | - | 7,637,911 | 4 |
| 5 High Schools | 309,826,051 | - | 140,164,550 | 41,955,671 | 37,113,399 | 23,022,547 | 38,401,861 | 25,568,160 | - | - | - | 616,052,239 | 5 |
| 6 School Buildings | - | - | 1,426,654 | 1,294,795 | - | - | 27,026,713 | 1,791,902 | - | - | - | 31,540,064 | 6 |
| 7 Business & Administration | - | 15,178,451 | 6,183,629 | 3,777,544 | 555.930 | 6,328,121 | - | 2,812,285 | - | - | - | 34,835,960 | 7 |
| 9 Centralized and Decentralized Reimbursable Programs | - | - | - | - | - | - | - | - | 219,277,878 | - | - | 219,277,878 | 9 |
| 11 Light, Heat & Power | - | - | - | - | - | - | - | - | - | - | 29,869,500 | 29,869,500 | 11 |
| 12 Debt Service | - | - | - | - | - | - | - | - | - | - | 258,486,422 | 258,486,422 | 12 |
| 13 Medical, Dental and Health | - | - | - | - | - | - | - | - | - | - | 10,500,000 | 10,500,000 | 13 |
| 14 Non-Public Schools | - | - | - | - | - | - | - | - | - | 51,146,670 | - | 51,146,670 | 14 |
| 16 Special Education | 122,992,624 | - | 5,248,544 | 10,974,389 | 49,064,717 | - | - | 500,969 | - | - | - | 188,781,243 | 16 |
| 23 Youthful Drug Abuser Prevention Program | - | - | - | - | - | - | - | - | 14,800,000 | - | - | 14,800,000 | 23 |
| 24 Emergency Employment Act | - | - | - | - | - | - | - | - | 11,589,753 | - | - | 11,589,753 | 24 |
| 25 Work Relief Program | - | - | - | - | - | - | - | - | 308,258 | - | - | 308,258 | 25 |
| 26 Comprehensive Employment and Training Act | - | - | - | - | - | - | - | - | 5,486,972 | - | - | 5,486,972 | 26 |
| 30 Community District Instruction & Administration | 741,412,674 | - | 203,577,361 | 79,297,573 | 4,770 | 85,763,039 | 22,839,143 | 11,049,841 | - | - | - | 1,143,944,401 | 30 |
| 31 Community District Affairs | 10,737,126 | 1,027,850 | 136,578 | 7,711,114 | 27,865,397 | - | 74,300,700 | 181,865 | - | - | - | 121,960,630 | 31 |
| 50-50 Unallocated Appropriation - Personal Service | - | - | - | - | - | - | - | 28,336,598 | - | - | - | 28,336,598 | 50-50 |
| TOTAL | $1,184,968,475 | $36,561,034 | $359,332,770 | $146,063,939 | $114,604,213 | $115,113,707 | $162,568,417 | $71,467,104 | $251,462,861 | $51,146,670 | $298,855,922 | $2,792,145,112 | |

EXHIBIT D-5

# BOARD OF EDUCATION BUDGET: 1976-1977 ADOPTED BUDGET

| PROGRAM | GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | | | | | | | | GROUP B REIMBURSABLE PROGRAMS | GROUP C NON-PUBLIC SCHOOLS | GROUP D OTHER CITY AGENCIES | TOTAL | PROGRAM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROG. | | GROUP A2: NON-DISCRETIONARY OBLIGATIONS | | | | | | | | | | |
| | INSTRUCTION | ADMINISTRATION AND SUPPORT | PENSIONS | FRINGE BENEFITS | PUPIL TRANSPORTATION | SCHOOL LUNCH | CUSTODIAL & BUILDING MAINTENANCE | RESTRICTED FUNDS | | | | | |
| 1 City Board of Education | $ - | $ 1,460,688 | $ 167,671 | $ 69,104 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,697,463 | 1 |
| 2 City General Administration | - | 8,735,839 | 751,076 | 561,553 | - | - | - | - | - | - | - | 10,048,468 | 2 |
| 3 Personnel | - | 4,383,018 | 636,268 | 184,260 | - | - | - | - | - | - | - | 5,203,546 | 3 |
| 4 Educational Planning and Support | - | 5,571,136 | 1,040,439 | 237,936 | - | - | - | - | - | - | - | 6,849,511 | 4 |
| 5 High Schools | 310,192,050 | - | 142,697,540 | 41,955,671 | 43,042,834 | 22,923,132 | 36,500,588 | 47,129,748 | - | - | - | 644,441,563 | 5 |
| 6 School Buildings | - | - | 1,411,485 | 1,294,795 | - | - | 21,651,590 | 553,515 | - | - | - | 24,911,385 | 6 |
| 7 Business & Administration | - | 10,526,429 | 4,483,629 | 3,777,544 | 555,930 | 6,273,121 | - | 4,774,798 | - | - | - | 30,391,451 | 7 |
| 9 Centralized and Decentralized Reimbursable Programs | - | - | - | - | - | - | - | - | 195,015,000 | - | - | 195,015,000 | 9 |
| 11 Light, Heat & Power | - | - | - | - | - | - | - | - | - | - | 26,460,900 | 26,460,900 | 11 |
| 12 Debt Service | - | - | - | - | - | - | - | - | - | - | 347,700,000 | 347,700,000 | 12 |
| 13 Medical, Dental and Health | - | - | - | - | - | - | - | - | - | - | 9,144,435 | 9,144,435 | 13 |
| 14 Non-Public Schools | - | - | - | - | - | - | - | - | - | 49,508,224 | - | 49,508,224 | 14 |
| 16 Special Education | 118,213,834 | - | 5,131,050 | 10,974,389 | 49,064,717 | - | - | - | - | - | - | 183,383,990 | 16 |
| 23 Youthful Drug Abuser Prevention Program | - | - | - | - | - | - | - | - | 8,049,215 | - | - | 8,049,215 | 23 |
| 24 Emergency Employment Act | - | - | - | - | - | - | - | - | - | - | - | - | 24 |
| 25 Work Relief Program | - | - | - | - | - | - | - | - | - | - | - | - | 25 |
| 26 Comprehensive Employment and Training Act | - | - | - | - | - | - | - | - | - | - | - | - | 26 |
| 30 Community District Instruction & Administration | 707,422,519 | - | 207,591,361 | 79,281,563 | 4,770 | 86,517,572 | 22,839,143 | - | - | - | - | 1,103,656,928 | 30 |
| 31 Community District Affairs | 9,614,979 | 781,760 | 136,578 | 7,711,114 | 27,492,413 | - | 74,304,176 | - | - | - | - | 120,041,020 | 31 |
| 50-50 Unallocated Appropriation - Personal Service | - | - | - | - | - | - | - | - | - | - | - | - | 50-50 |
| TOTAL | $1,145,443,382 | $31,458,870 | $364,047,097 | $146,047,929 | $120,160, 664 | $115,713,825 | $155,295,497 | $52,458,061 | $203,064,215 | $49,508,224 | $383,305,335 | $2,766,503,099 | |

EXHIBIT D-6

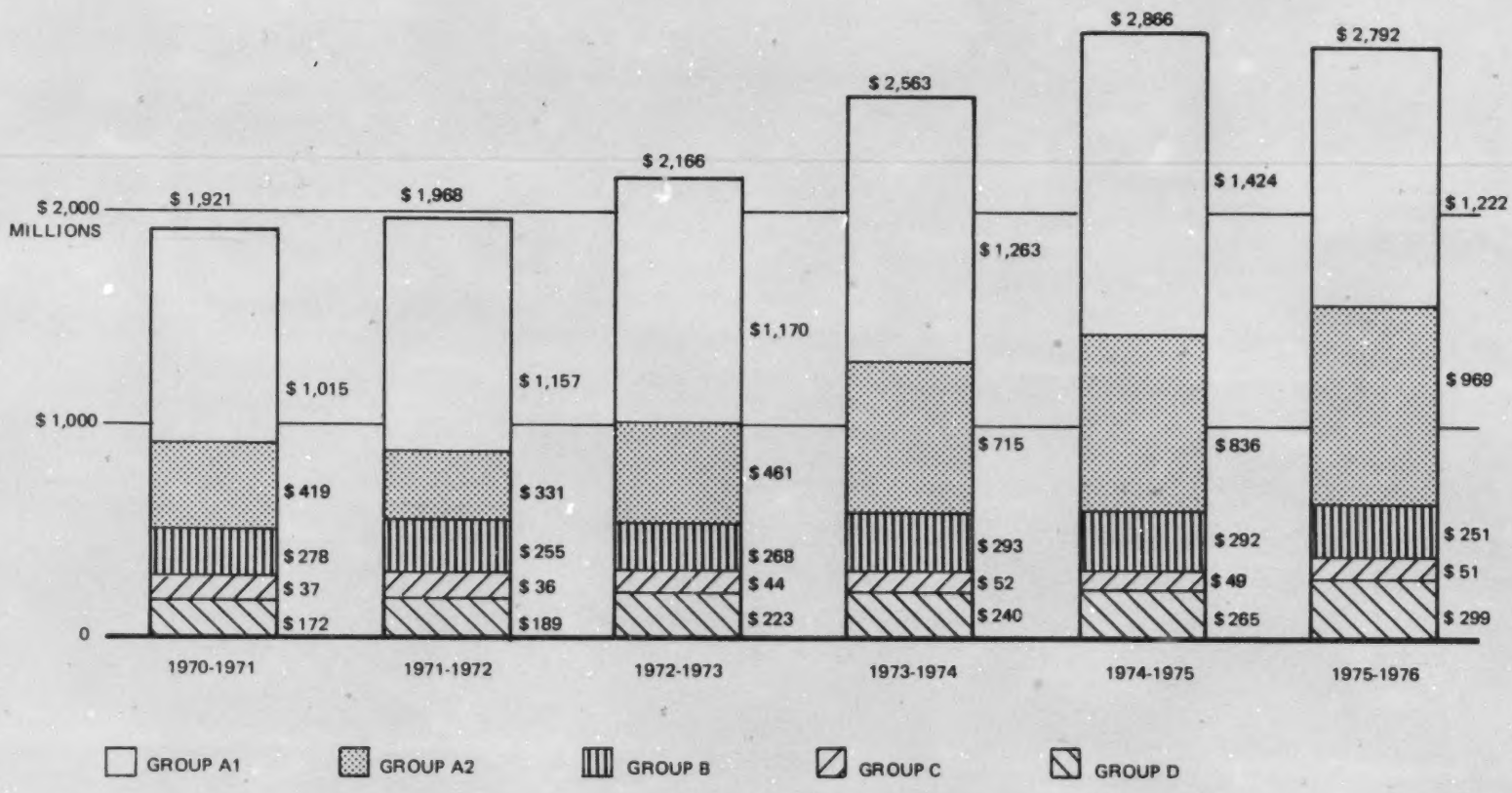
# THE BOARD OF EDUCATION'S BUDGET: 1970-1971 TO 1975-1976

| | 1970-1971* | 1971-1972* | 1972-1973* | 1973-1974* | 1974-1975** | 1975-1976*** |
|---|---|---|---|---|---|---|
| GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | $1,434,236,736 | $1,487,576,563 | $1,630,597,518 | $1,978,665,446 | $2,260,840,423 | $2,190,679,659 |
| GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROGRAMS | $1,015,076,020 | $1,157,099,897 | $1,169,960,621 | $1,263,445,397 | $1,424,497,195 | $1,221,529,509 |
| Instruction | 973,167,387 | 1,109,417,145 | 1,124,278,148 | 1,218,872,614 | 1,377,867,980 | 1,184,968,475 |
| Administration and Support | 41,908,633 | 47,682,752 | 45,682,473 | 44,572,783 | 46,629,215 | 36,561,034 |
| GROUP A2: NON-DISCRETIONARY OBLIGATIONS | $ 419,160,716 | $ 330,476,666 | $ 460,636,897 | $ 715,220,049 | $ 836,343,228 | $ 969,150,150 |
| Pensions | 126,409,127 | 40,343,211 | 95,350,810 | 279,182,840 | 331,194,397 | 359,332,770 |
| Fringe Benefits | 78,638,155 | 70,811,193 | 100,246,541 | 121,498,416 | 133,646,146 | 146,063,939 |
| Pupil Transportation | 53,105,645 | 55,630,884 | 61,575,208 | 76,335,841 | 100,703,876 | 114,604,213 |
| School Lunch | 36,690,238 | 43,461,106 | 56,475,669 | 86,909,855 | 103,436,270 | 115,113,707 |
| Custodial and Building Maintenance | 124,317,551 | 120,230,272 | 139,406,450 | 148,074,449 | 167,294,449 | 162,568,417 |
| Restricted Funds | - | - | 7,582,219 | 3,218,648 | 68,090 | 71,467,104 |
| GROUP B: REIMBURSABLE PROGRAMS | $ 277,631,572 | $ 255,092,323 | $ 268,238,567 | $ 292,879,619 | $ 291,606,444 | $ 251,462,861 |
| Centralized and Decentralized Programs | 262,631,572 | 233,684,722 | 244,784,733 | 269,181,504 | 258,681,010 | 219,277,878 |
| Other Programs | 15,000,000 | 21,407,601 | 23,453,834 | 23,698,115 | 32,925,434 | 32,184,983 |
| GROUP C: NON-PUBLIC SCHOOLS | $ 36,746,318 | $ 35,989,348 | $ 44,144,719 | $ 51,643,887 | $ 48,541,579 | $ 51,146,670 |
| Program 14 - Non-Public Schools | 36,746,318 | 35,989,348 | 44,144,719 | 51,643,887 | 48,541,579 | 51,146,670 |
| GROUP D: OTHER CITY AGENCIES | $ 172,608,258 | $ 139,143,626 | $ 223,103,893 | $ 239,762,405 | $ 265,292,381 | $ 298,855,922 |
| Program 11 - Light, Heat, Power | 10,302,870 | 11,339,500 | 15,101,123 | 16,828,732 | 19,485,800 | 29,869,500 |
| Program 12 - Debt Service | 151,046,057 | 167,070,604 | 196,015,032 | 211,639,325 | 233,851,471 | 258,486,422 |
| Program 13 - Medical, Dental, Health | 11,259,331 | 10,733,522 | 11,987,738 | 11,294,348 | 11,955,110 | 10,500,000 |
| SUB-TOTAL: MONIES OVER WHICH THE BOARD EXERCISES LIMITED CONTROL (GROUPS A2+B+C+D) | $ 906,146,864 | $ 810,701,963 | $ 996,124,076 | $1,299,505,960 | $1,441,783,632 | $1,570,615,603 |
| TOTAL BUDGET (GROUPS A+B+C+D) | $1,921,222,884 | $1,967,801,860 | $2,166,084,697 | $2,562,951,357 | $2,866,280,827 | $2,792,145,112 |

*Budget at end of year.
**Budget at end of year, but excluding EM-320, which increases Group B.
***Budget as modified through EM-136, the Mayor's Executive cut-off for fiscal year 1976-1977.

Exhibit D-7

## BOARD OF EDUCATION BUDGET
## PROGRAM GROUPS
## 1970-1971 TO 1975-1976



Since the limited control portion of the budget has grown faster than the total, the inescapable conclusion is that the controlled portion must have grown at a slower rate; and it did, by 20%.

- Instruction grew by 22%.
- Administration and support services actually decreased by 13%.

One result of the growth rate disparity between the discretionary and non-discretionary portions of the budget is that the Board of Education now has control over less than half of its costs.

COMPARING THE BUDGET FOR YEARS 1974-1975, 1975-1976, AND 1976-1977

How much has the Board of Education's budget been cut since the beginning of the city's fiscal crisis? Having examined background information regarding budget structure and trends, this question can now be answered intelligently by comparing the Board's budgets for fiscal years 1974-1975, 1975-1976 and 1976-1977 (see Exhibit D-8).

The first thing to note is that the total budget has declined $100 million since 1974-1975, a decrease of 3.5%. Keep in mind, however, that this net change in the budget is deceptively small because it does not account for the rate of inflation. In addition, the net change obscures important increases and decreases in specific parts of the budget.

EXHIBIT D-8

# BOARD OF EDUCATION'S CONTROLLED AND UNCONTROLLED BUDGET
## 1974-1975, 1975-1976 AND 1976-1977

| | 1974-1975* | 1975-1976** | CHANGE 1974-5 TO 1975-6 AMOUNT | CHANGE 1974-5 TO 1975-6 PERCENT | 1976-1977*** | CHANGE 1975-6 TO 1976-7 AMOUNT | CHANGE 1975-6 TO 1976-7 PERCENT | CHANGE 1974-5 TO 1976-7 AMOUNT | CHANGE 1974-5 TO 1976-7 PERCENT |
|---|---|---|---|---|---|---|---|---|---|
| GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | $2,260,840,423 | $2,190,679,659 | $- 70,160,764 | - 3.10% | $2,130,625,325 | $- 60,054,334 | - 2.74% | $-130,215,098 | - 5.76% |
| GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROGRAMS | $1,424,497,195 | $1,221,529,509 | $-202,967,686 | -14.25% | $1,176,902,252 | $- 44,627,257 | - 3.65% | $-247,594,943 | -17.38% |
| Instruction | 1,377,867,980 | 1,184,968,475 | -192,899,505 | -14.00 | 1,145,443,382 | - 39,525,093 | - 3.34 | -232,424,598 | -16.87 |
| Administration and Support | 46,629,215 | 36,561,034 | - 10,068,181 | -21.59 | 31,458,870 | - 5,102,164 | -13.96 | - 15,170,345 | -32.53 |
| GROUP A2: NON-DISCRETIONARY OBLIGATIONS | $ 836,343,228 | $ 969,150,150 | $ 132,806,922 | 15.88% | $ 953,723,073 | $- 15,427,077 | - 1.59% | $ 117,379,845 | 14.03% |
| Pensions | 331,194,397 | 359,332,770 | 28,138,373 | 8.50 | 364,047,097 | 4,714,327 | 1.31 | 32,852,700 | 9.92 |
| Fringe Benefits | 133,646,146 | 146,063,939 | 12,417,793 | 9.29 | 146,047,929 | - 16,010 | - 0.01 | 12,401,783 | 9.28 |
| Pupil Transportation | 100,703,876 | 114,604,213 | 13,900,337 | 13.80 | 120,160,664 | 5,556,451 | 4.85 | 19,456,788 | 19.32 |
| School Lunch | 103,436,270 | 115,113,707 | 11,677,437 | 11.29 | 115,713,825 | 600,118 | 0.52 | 12,277,555 | 11.87 |
| Custodial and Building Maintenance | 167,294,449 | 162,568,417 | - 4,726,032 | - 2.82 | 155,295,497 | - 7,272,920 | - 4.47 | - 11,998,952 | - 7.17 |
| Restricted Funds | 68,090 | 71,467,104 | 71,399,014 | - | 52,458,061 | - 19,009,043 | -26.60 | 52,389,971 | - |
| GROUP B: REIMBURSABLE PROGRAMS | $ 291,606,444 | $ 251,462,861 | $- 40,143,583 | -13.77% | $ 203,064,215 | $- 48,398,646 | -19.25% | $- 88,542,229 | -30.36% |
| Centralized and Decentralized Programs | 258,681,010 | 219,277,878 | - 39,403,132 | -15.23 | 195,015,000 | - 24,262,878 | -11.06 | - 63,666,010 | -24.61 |
| Other Programs | 32,925,434 | 32,184,983 | - 740,451 | - 2.25 | 8,049,215 | - 24,135,768 | -74.99 | - 24,876,219 | -75.55 |
| GROUP C: NON-PUBLIC SCHOOLS | $ 48,541,579 | $ 51,146,670 | $ 2,605,091 | 5.37% | $ 49,508,224 | $- 1,638,446 | - 3.20% | $ 966,645 | 1.99% |
| Program 14 - Non-Public Schools | 48,541,579 | 51,146,670 | 2,605,091 | 5.37 | 49,508,224 | - 1,638,446 | - 3.20 | 966,645 | 1.99% |
| GROUP D: OTHER CITY AGENCIES | $ 265,292,381 | $ 298,855,922 | $ 33,563,541 | 12.65% | $ 383,305,335 | $ 84,449,413 | 28.26% | $ 118,012,954 | 44.48% |
| Program 11 - Light, Heat, Power | 19,485,800 | 29,969,500 | 10,383,700 | 53.29 | $ 26,460,900 | - 3,408,600 | -11.41 | 6,975,100 | 35.80 |
| Program 12 - Debt Service | 233,851,471 | 258,486,422 | 24,634,951 | 10.53 | 347,700,000 | 89,213,578 | 34.51 | 113,848,529 | 48.68 |
| Program 13 - Medical, Dental, Health | 11,955,110 | 10,500,000 | - 1,455,110 | -12.17 | 9,144,435 | - 1,355,565 | -12.91 | - 2,810,675 | -23.51 |
| MONIES OVER WHICH THE BOARD EXERCISES LIMITED CONTROL (GROUPS A2+B+C+D) | $1,441,783,632 | $1,570,615,603 | $ 128,831,971 | 8.94% | $1,589,600,847 | $ 18,985,244 | 1.21% | $ 147,817,215 | 10.25% |
| TOTAL BUDGET (GROUPS A+B+C+D) | $2,866,280,827 | $2,792,145,112 | $- 74,135,715 | - 2.59% | $2,766,503,099 | $- 25,642,013 | - 0.92% | $- 99,777,728 | - 3.48% |

*Budget at end of year, but excluding EM-320, which increases Group B.
**Budget as modified through EM-136, the Mayor's Executive cut-off for fiscal year 1976-1977.
***Budget as adopted by the Mayor, City Council and Board of Estimate.

Continuing past trends, the portion of the budget over which the Board exercises only limited control actually grew by $148 million, an increase of 10.3%. Even more alarming (and significant in terms of its impact on the day-to-day operation of the schools) is the $248 million decrease in that portion of the budget controlled by the Board for direct educational programs. This represents a startling 17.4% drop in funds allocated for instruction, administration, and support services:

CHANGE IN THE "CONTROLLABLE" PORTION OF THE BOARD'S BUDGET
1974-1975 TO 1976-1977
(Millions of Dollars)

| | 1974-1975 | 1975-1976 | 1976-1977 | PERCENT CHANGE |
|---|---|---|---|---|
| Total Budget | $ 2,866.3 | $ 2,792.1 | $ 2,766.5 | - 3.5% |
| Budget Controlled by Board | $ 1,424.5 | $ 1,221.5 | $ 1,176.9 | -17.4% |
| Instruction | $ 1,377.9 | $ 1,185.0 | $ 1,145.4 | -16.9% |
| Administration and Support | $ 46.6 | $ 36.5 | $ 31.5 | -32.5% |

Over the past few years, the relative increases and decreases within the Board's budget have had an ominous effect on the distribution of the city's education dollar. As more and more of that dollar is being committed to non-discretionary items such as pensions, fringe benefits, pupil transportation, school lunch, and debt service, an ever decreasing portion can be spent for instruction, administration, and educational support services (see Exhibit D-9).

EXHIBIT D-9

BOARD OF EDUCATION BUDGET - PERCENT DISTRIBUTION

1974-1975 TO 1976-1977

| | 1974-1975 EM-322 | 1975-1976 EM-316 | 1976-1977 ADOPTED |
|---|---|---|---|
| GROUP A: MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | 78.88% | 78.46% | 77.02% |
| GROUP A1: MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATIONAL PROGRAMS | 49.70% | 43.75% | 42.54% |
| Instruction | 48.07 | 42.44 | 41.40 |
| Administration and Support | 1.63 | 1.31 | 1.14 |
| GROUP A2: NON-DISCRETIONARY OBLIGATIONS | 29.18% | 34.71% | 34.48% |
| Pensions | 11.56 | 12.88 | 13.17 |
| Fringe Benefits | 4.66 | 5.23 | 5.28 |
| Pupil Transportation | 3.51 | 4.10 | 4.34 |
| School Lunch | 3.61 | 4.12 | 4.18 |
| Custodial and Building Maintenance | 5.84 | 5.82 | 5.61 |
| Restricted Funds | 0.00 | 2.56 | 1.90 |
| GROUP B: REIMBURSABLE PROGRAMS | 10.17% | 9.01% | 7.34% |
| Centralized and Decentralized Progs. | 9.02 | 7.86 | 7.05 |
| Other Programs | 1.15 | 1.15 | 0.29 |
| GROUP C: NON-PUBLIC SCHOOLS | 1.69% | 1.83% | 1.79% |
| Program 14 - Non-Public Schools | 1.69 | 1.83 | 1.79 |
| GROUP D: OTHER CITY AGENCIES | 9.26% | 10.70% | 13.85% |
| Program 11 - Light, Heat, Power | 0.68 | 1.07 | 0.96 |
| Program 12 - Debt Service | 8.16 | 9.25 | 12.56 |
| Program 13 - Medical, Dental, Health | 0.42 | 0.38 | 0.33 |
| MONIES OVER WHICH THE BOARD EXERCISES LIMITED CONTROL (GROUPS A2+B+C+D) | 50.30% | 56.25% | 57.46% |
| TOTAL BUDGET (GROUPS A+B+C+D) | 100.00% | 100.00% | 100.00% |

During the 1975-1976 school year, the Board controlled only 44¢ of every education dollar, while 56¢ were essentially controlled by other institutions and agencies (see Exhibit D-10). This represents a significant decrease in the Board's control compared to the previous year, 1974-1975. In the present school year, 1976-1977, the Board's control over its total budget will weaken even more:

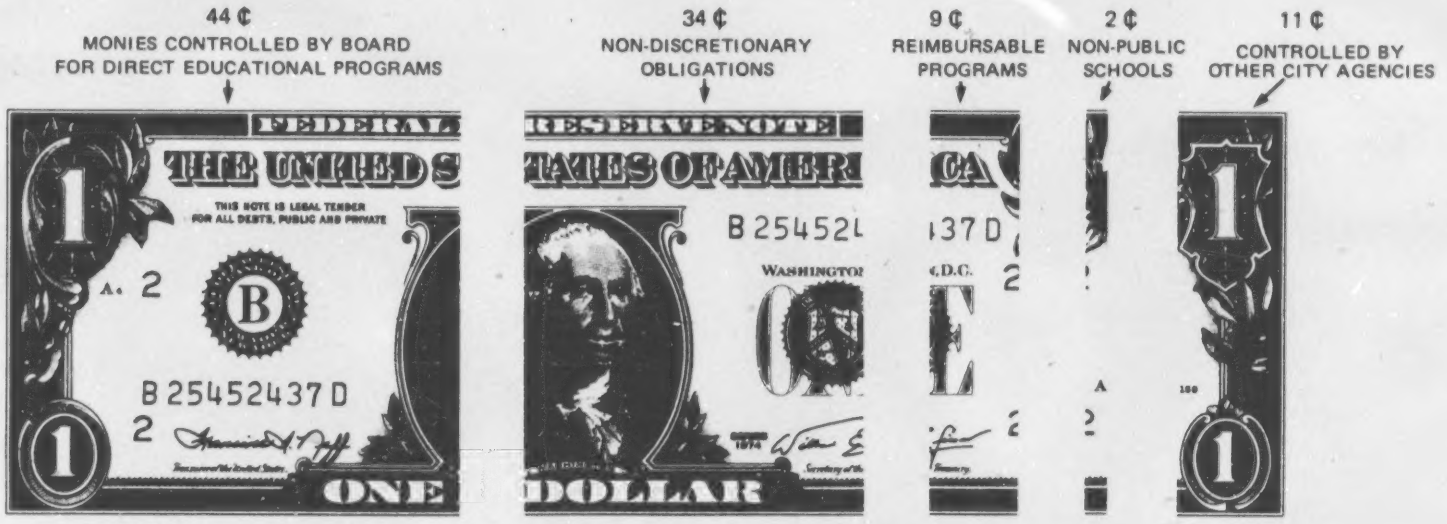
THE BOARD'S DIMINISHING CONTROL OVER ITS BUDGET

| | PERCENT OF SCHOOL BUDGET | |
|---|---|---|
| FISCAL YEAR | CONTROLLED BY BOARD | CONTROLLED BY OTHER AGENCIES |
| 1974-1975 | 49.7% | 50.3% |
| 1975-1976 | 43.7% | 56.3% |
| 1976-1977 | 42.5% | 57.5% |

Even aside from the increases and decreases which are only revealed by comparing specific sections of the budget, other important changes are not readily apparent at all. This happens not because of any desire to hide reality, but rather as a result of idiosyncracies in the municipal budget process. Take, for example, the $39 million cut in the "instructional services" portion of the Board's budget. Ominous and frightening as this cut is, it seriously underestimates a real reduction of $85 million -- more than twice the amount shown in the budget. In this

EXHIBIT D–10

## WHERE EACH EDUCATION DOLLAR GOES
## 1975-1976*




* TOTAL BUDGET EQUALS $2,792,145,112 IN 1975-1976.

instance, the "hidden" cuts result from non-recurring strike accruals, annualization of salary increments, and inflationary shortfalls:

REDUCTION IN INSTRUCTIONAL SERVICES FROM 1975-1976 TO 1976-1977

| | |
|---|---|
| $ 39 Million | Budget Cuts |
| $ 30 Million | Non-Recurring Strike Accruals |
| $ 8 Million | Annualization of Increments |
| $ 8 Million | Inflation |
| $ 85 Million | Total Reduction in Instructional Services |

In 1975-1976, $30 million was "saved" because of the teacher strike at the beginning of that school year. This windfall resulted from foregone salaries and strike penalties. But the "savings" represent a non-recurring amount. Although this money was used to maintain 1,700 teachers who otherwise would have been laid off during 1975-1976, those positions must now be eliminated in 1976-1977.

This year's budget for instructional services also has $8 million buried in it which must be committed to support the full year cost of salary increases granted during the course of the 1975-1976 school year. Since $8 million of this year's budget must be set aside to fulfill last year's obligations, it is the equivalent of a real cut in services.

Finally, another $8 million must come out of this year's budget for instructional services in order to cover inflationary shortfalls resulting from the escalating cost of items such as books, equipment, and supplies.

FOCUSING ON TAX LEVY CUTS

City "tax levy dollars" are the largest source of financial support for the Board of Education. These dollars represent actual revenue raised by the city through various forms of local taxation. Approximately 60¢ out of every dollar in the Board's 1975-1976 budget came from tax levy revenue (see Exhibit D-11). It is this part of the Board's budget that has been reduced disproportionately and unfairly by the city.

Since the beginning of the fiscal crisis, the city has had to reduce its tax levy contributions to all municipal agencies, including the Board of Education. The problem is not just that the Board has been cut, but more importantly that the cut has forced a disproportionate reduction in public school services. The basic inequity of the recent budget cuts is demonstrated in the following table which compares the Board's tax levy appropriations for the 1974-1975, 1975-1976, and 1976-1977 school years (see Exhibit D-12 for a more detailed presentation of the data):

CHANGE IN THE BOARD'S TAX LEVY BUDGET
1974-1975 TO 1976-1977

| | (Millions of Dollars) | | | PERCENT CHANGE |
|---|---|---|---|---|
| | 1974-1975* | 1975-1976** | 1976-1977** | 1974-1977 |
| Total City Tax Levy | $6,688 | $7,997 | $8,072 | +21% |
| Board of Education Total Tax Levy | $1,367 | $1,410 | $1,468 | + 7% |
| Controlled by Board | $ 465 | $ 325 | $ 276 | -41% |
| Limited Control | $ 902 | $1,085 | $1,192 | +32% |

*The city total is taken from the "as modified" column in the adopted budget for 1975-1976. The figures for the Board of Education are taken from its end-of-year budget.

**The figures in these two columns are taken from the adopted budget for 1976-1977.

EXHIBIT D–11

## WHERE EACH BOARD OF EDUCATION DOLLAR COMES FROM 1975-1976*

* TOTAL BUDGET EQUALS $2,792,145,112 IN 1975-1976.

EXHIBIT D-12

# THE BOARD OF EDUCATION'S TAX LEVY FUNDS
## 1974-1975 TO 1976-1977

| | 1974-1975 EM-322 | 1975-1976 EM-136 | CHANGE 1974-75 TO 1975-76 AMOUNT | CHANGE 1974-75 TO 1975-76 PERCENT | 1976-1977 EXECUTIVE | CHANGE 1975-76 TO 1976-77 AMOUNT | CHANGE 1975-76 TO 1976-77 PERCENT | CHANGE 1974-75 TO 1976-77 AMOUNT | CHANGE 1974-75 TO 1976-77 PERCENT |
|---|---|---|---|---|---|---|---|---|---|
| MONIES AVAILABLE FOR DIRECT EDUCATIONAL PROGRAMS | $1,074,845,577 | $1,083,069,977 | $ 8,224,400 | 0.8% | $1,057,044,755 | $-26,025,222 | - 2.4% | $- 17,800,822 | - 1.7% |
| MONIES CONTROLLED BY BOARD FOR DIRECT EDUCATION PROGRAMS | $ 464,522,588 | $ 324,645,208 | $-139,877,380 | - 30.1% | $ 275,505,096 | $-49,140,112 | -15.1% | $-189,017,492 | -40.7% |
| NON-DISCRETIONARY OBLIGATIONS | $ 610,322,989 | $ 758,424,769 | $ 148,101,780 | 24.3% | $ 781,539,659 | $ 23,114,890 | 3.0% | $ 171,216,670 | 28.1% |
| Pensions | 254,715,386 | 302,171,469 | 47,456,083 | 18.6 | 339,175,534 | 37,004,065 | 12.2 | 84,460,148 | 33.2 |
| Fringe Benefits | 119,868,425 | 126,399,836 | 6,531,411 | 5.4 | 128,857,500 | 2,457,664 | 1.9 | 8,989,075 | 7.5 |
| Pupil Transportation | 92,707,298 | 107,031,132 | 14,323,834 | 15.5 | 112,587,583 | 5,556,451 | 5.2 | 19,880,285 | 21.4 |
| School Lunch | 31,367,312 | 36,685,607 | 5,318,295 | 17.0 | 35,593,157 | - 1,092,450 | - 3.0 | 4,225,845 | 13.5 |
| Custodial and Building Maintenance | 111,612,058 | 115,319,136 | 3,707,078 | 3.3 | 113,421,339 | - 1,897,797 | - 1.6 | 1,809,281 | 1.6 |
| Restricted Funds | 52,510 | 70,817,589 | 70,765,079 | NA | 51,904,546 | -18,913,043 | NA | 51,852,036 | NA |
| REIMBURSABLE PROGRAMS | $ 2,210,000 | $ 25,000 | $- 2,185,000 | - 98.9% | $ 15,000 | $- 10,000 | -40.0% | $- 2,195,000 | -99.3% |
| Centralized and Decentralized Programs | 2,210,000 | 25,000 | - 2,185,000 | - 98.9 | 15,000 | - 10,000 | -40.0% | - 2,195,000 | -99.3 |
| Other Programs | 0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0.0 |
| NON-PUBLIC SCHOOLS | $ 33,095,852 | $ 35,324,607 | $ 2,228,755 | 6.7 | 34,077,724 | $- 1,246,883 | - 3.5% | $ 981,872 | 3.0% |
| Program 14 - Non-Public Schools | 33,095,852 | 35,324,607 | 2,228,755 | 6.7 | 34,077,724 | - 1,246,883 | - 3.5 | 981,872 | 3.0 |
| OTHER CITY AGENCIES | $ 256,814,826 | $ 291,105,922 | $ 34,291,096 | 13.4% | $ 376,233,118 | $ 85,127,196 | 29.2% | $ 119,418,292 | 46.5 |
| Program 11 - Light, Heat, Power | 19,485,800 | 29,869,500 | 10,383,700 | 53.3 | 26,460,900 | - 3,408,600 | -11.4 | 6,975,100 | 35.8 |
| Program 12 - Debt Service | 231,351,471 | 255,986,422 | 24,634,951 | 10.6 | 345,200,000 | 89,213,578 | 34.9 | 113,848,529 | 49.2 |
| Program 13 - Medical, Dental, Health | 5,977,555 | 5,250,000 | - 727,555 | -12.2 | 4,572,218 | - 677,782 | -12.9 | - 1,405,337 | -23.5 |
| SUB-TOTAL: MONIES OVER WHICH THE BOARD EXERCISES LIMITED CONTROL | $ 902,443,667 | $1,084,880,298 | $ 182,436,631 | 20.2% | $1,191,865,501 | $106,985,203 | 9.9% | $ 289,421,834 | 32.1% |
| TOTAL TAX LEVY BUDGET | $1,366,966,255 | $1,409,525,506 | $ 42,559,251 | 3.1% | $1,467,370,597 | $ 57,845,091 | 4.1% | $ 100,404,342 | 7.3% |

The table on page 43 shows that from 1974-1975 to 1976-1977 the Board of Education's tax levy appropriation increased considerably less than that for the city as a whole: 7% for the Board compared with 21% for the city. Furthermore, the Board has very limited control over more than four-fifths of its total tax levy appropriation. This non-discretionary portion of the Board's budget has increased by an astounding 32%. Consequently, that part of the tax levy appropriation that is actually controlled by the Board for the direct operation of educational programs must have decreased, and it did, by 41%. This obviously discriminatory service cut has been exacerbated by the unfair and unrealistic way in which the city's Office of Management and Budget determined the Board's "controllable" tax levy base for the 4.5% cut announced in October 1975. The effective cut was, of course, much greater than that since many non-discretionary items (for example, heat, light, and power) were included in the so-called "controllable" budget.

The Board of Education has been subjected to more than its share of budgetary "gimmickry" at the hands of the city. Between 1974-1975 and 1976-1977, the city granted the Board a deceptive $101 million increase in tax levy appropriations. Taken by itself, this increase creates the impression that the Board of Education's budget has not been cut at all. During the same three-year period, however, there was a $289 million increase in the non-discretionary portion of the Board's budget:

CHANGE IN THE NON-DISCRETIONARY PORTION
OF THE BOARD'S BUDGET, 1974-1975 TO 1976-1977
(Millions of Dollars)

| | |
|---|---|
| Debt Service | $114 |
| Pensions | 84 |
| Other Areas of Limited Control | 91 |
| Total Increase in Non-Discretionary Tax Levy Budget | $289 |

In effect, as the following table makes evident, the net increase in tax levy dollars hides a $188 million cut in the Board's "controllable" budget -- a cut so deep that the school system's educational programs are actually being crippled.

CHANGE IN THE BOARD OF EDUCATION'S
TAX LEVY BUDGET, 1974-1975 TO 1976-1977
(Millions of Dollars)

| | |
|---|---|
| Controllable Tax Levy | $-188 |
| Non-Discretionary Tax Levy | +289 |
| Net Change in Tax Levy | $+101 |

AREAS OF LIMITED CONTROL CLAIM 75% OF 1975-1976 TAX LEVY FUNDS

The Office of Management and Budget's definition of "controllable tax levy" excludes only debt service and pensions from the budgets of the various city agencies. As applied to the Board of Education this definition is unfair because it is too narrow. Unlike most city agencies, the Board's budget includes tax levy items over which it has only very marginal control. These items total $400 million:

- $30 million for light, heat, and power for school buildings. This item, the Consolidated Edison bill, is assigned to the Board of Education by the Department of Public Works. The utility bills of other city agencies are included in the Municipal Services Administration's budget. Defining this item as "controllable" inflated the Board's budget base and unfairly enlarged the Board's real cut.

- $5 million for the school health program. These medical, dental, and health services are mandated by New York State law, and the Department of Health manages the program.

- $35 million for non-public schools. State law mandates speech improvement, attendance, and pupil transportation services for non-public school pupils. A subsidy for the Transit Authority is part of the pupil transportation cost. Support for the Fashion Institute of Technology, and a community college operating under a program of the State University of New York, is included in this amount.

- $107 million for pupil transportation. State law mandates subsidized transportation for pupils living beyond specified distances from school. It is city policy to subsidize pupils living within these specified distances. A subsidy for the Transit Authority is included in this item.

- $37 million for school lunch. Federal and state laws mandate subsidized meals for low income children. Most of this tax levy amount is for matching funds.

- $115 million for custodial and building maintenance. Health and fire codes set by the state and the city must be met. The Board exercises marginal control over this item because there are fixed costs associated with cleaning and maintaining a school building. Other agencies' buildings are cleaned and maintained by the Municipal Services Agencies.

- $71 million in restricted funds. Monies set aside for collective bargaining cannot be scheduled without the mayor's approval. The October 1975 cuts are included here as frozen funds.

In addition to the non-discretionary items listed above, the Board also exercises limited control over fringe benefits. The Board's contributions to social security are mandated by city policy and the rates are set by federal law. Furthermore, the Board's share of employee health insurance is largely based on rates negotiated by the city's personnel deapartment.

Although it is true that the Board of Education exercises limited control over some of the expenditures listed above, this control is marginal at best; most of the costs associated with these items are controlled by other institutions.

GRAPPLING WITH AREAS OF LIMITED CONTROL

The Board of Education is faced with the stark reality of having to absorb massive budget cuts, while at the same time making every effort to maintain basic classroom instruction. Consequently, the Board has tried to exert more control over that portion of its budget which is largely non-discretionary. This effort to preserve instruction as its highest priority has forced the Board to grapple with some of the "sacred cows" in its budget. The Board has not only been severely criticized for attempting to invade "protected areas," but also has even been prevented from implementing some of its proposed budget reallocations.

In October 1975, the mayor imposed a $37.45* million tax levy cut on the Board of Education with instructions to submit a plan for reducing its 1975-1976 expenditures by an equivalent amount. The Board responded with a proposal to meet the cut by using the lump sum set aside for collective bargaining increases. The mayor and the Emergency Financial Control Board refused to accept this proposal.** The Board then submitted a second proposal which included cuts in the following areas:

*Actually, this cut was first scheduled at $38.7 million. The mayor later reduced the amount by more than a million dollars after being shown that the Board of Education was not being treated equitably.

**This refusal reinforced an earlier rejection given in September 1975 when the Board asked if the money could be used to avert layoffs. In August 1976, the Emergency Financial Control Board completely reversed its position, and now this money can be used to avert layoffs.

- Central headquarters' administration and support services (Programs 1, 2, 3, 4, 6, 7, and 31).

- Speech services for non-public school pupils and services to the Fashion Institute of Technology.

- School health services paid for by the Board but provided by the Department of Health.

- Pupil transportation: eliminating subsidies for students in grades 7-12 living within one mile of school and increasing all subsidized fares by ten cents a ride.

- Annuities: deferring all payments until the end of the fiscal emergency period (a proposal primarily affecting pedagogues with more than eight years of service).

- Sabbaticals: canceling leaves as of February 1, 1976, and not granting any new sabbaticals until the end of the fiscal emergency period.

The mayor accepted the cuts in administration and support, the school health program, speech services to non-public schools, and sabbaticals -- but only a portion of the cut in pupil transportation. The remainder of the pupil transportation cut was ruled "unacceptable."* In addition, the annuity proposal was rejected outright on the grounds that such payments are protected by state law. This left the Board of Education in the position of having to propose additional cuts totaling $13.6 million. At this point, the Board was forced to cut evening, adult, and trade high school instructional services by $4 million and programs in the thirty-two community school districts by $9.6 million.

*In September 1976, the Board of Education adopted changes in its pupil transportation subsidy policy that included most of these rejected proposals. The city's Office of Management and Budget is studying the possible loss of $75 million in federal transportation subsidies to the Transit Authority because of this $18 million reduction in pupil transportation subsidies.

If the mayor had accepted the Board's first proposal to use the collective bargaining money for the mid-year cut, instructional and support services would not have been reduced. Likewise, if the entire pupil transportation proposal had been accepted, it would not have been necessary for the Board to cut instructional services $13.6 million.

There have been other recent instances in which the Board of Education has tried to exert some control over the non-discretionary portion of its budget. For example, before the 1975-1976 school year started, custodians were directed to reduce their cleaning schedules, a step aimed at saving more than $2 million. The custodians resisted this order and the issue went to arbitration. There was a ruling in the Board's favor, but it did not come until late in the school year so only $700,000 was actually saved. In 1976-1977, further changes in custodial work schedules will produce an annual savings of $15 million - - but only <u>if</u> the Board is not stymied by an adverse arbitration ruling and only <u>if</u> health and fire codes can be met.

During the negotiations related to the Stavisky-Goodman legislation, the Board of Education proposed a radical reorganization of the school lunch program. Instead of serving 550,000 free school lunches every day at an annual cost of $115 million, the Board offered to issue school lunch vouchers (money) directly to the parents of eligible pupils at the rate of $1 per meal. The voucher system would "save" $10 million in administrative and operating costs. Obviously, however, this proposal would require closing down all school cafeterias and laying off all lunchroom helpers

(1,750 annual employees and 6,200 FTE hourly employees). City, state, and federal officials wasted no time in announcing that the proposal was totally unacceptable - - that the Board was out of line in its attempts to 'tamper" with the school lunch program.

Bus escort personnel are paid for an eight hour day spread over ten and a half hours, but they actually work only four and a half hours. The Board of Education proposed using bus escorts as school aides during their "free" time since they would be able to provide valuable support services at no extra charge. The New York State Commissioner of Education indicated that if this were done, the amount saved by the Board of Education would be deducted from its state transportation aid.

Debt service (interest and redemptions) is financed almost entirely by city tax levy funds. In 1976-1977, this major, non-discretionary item in the board of Education's budget increased by $89 million. This unprecedented 35% jump in debt service costs is a prime example of how yesterday's fiscal gimmickry must be paid for by making drastic cuts in instructional and support services. How did this startling situation occur? In 1973-1974, the city ignored the Board of Education's protests and unilaterally decided to pay the salaries of all high school industrial arts teachers from capital funds--borrowed money raised by selling bonds--instead of city tax levy. In the following year, again over the Board's protests, this practice was expanded to include junior high sch[illegible] industrial arts teachers. The city's rationale for this dubious practice was that industrial arts teachers work with machines purchased out of

capital funds. The amounts involved were not trivial. In 1975-1976, for example, upwards of $125 million in capital funds were used to pay teacher salaries. And in December 1975, the city was forced to borrow $100 million in short term notes at 9% interest--just in order to meet the current payroll for industrial arts teachers. This means that in 1976-1977, the Board of Education will be paying out the same money twice, once as teacher salaries and again to redeem the notes. Although new fiscal guidelines established by the Emergency Financial Control Board have put an end to this practice, the phasing out of past commitments will take many years.

Pensions are another major non-discretionary item causing the Board of Education special concern. Over the past few years, pension costs have increased rapidly, and will continue to do so in the forseeable future. The Board has little control over these costs since they are determined largely by actuarial assumptions and the city's own funding policies. A number of recent reports have pointed out that present actuarial assumptions are unrealistic and are resulting in a "progressive deterioration in the financial adequacy of the city's retirement systems."* In effect, this puts the Board of Education in the position of having to fund increased pension costs because they were grossly underestimated in the past.

There is one significant item in the non-discretionary portion of the budget which the Board of Education is beginning to bring under some

*"Financing the Public Pension Systems, Part I: Actuarial Assumptions and Funding Policies," Report of the Permanent Commission on Public Employee Pension and Retirement Systems, March 1975, p. 30.

degree of control. The Board has just instituted an energy conservation program aimed at reducing its Consolidated Edison bill for light, heat, and power. Unfortunately, the savings which result from this program will come nowhere near offsetting recent rate increases.

In all the situations just described, the Board of Education has attempted to bring the non-discretionary portion of its budget under greater control. In some cases, the Board has been marginally successful. But, for the most part, the Board's hands have been tightly tied by state or federal laws, various governmental agencies, and the Office of Management and Budget.

A CLOSER LOOK AT ADMINISTRATION AND SUPPORT

As other sections of this appendix make clear, the only controllable portions of the Board of Education's budget are represented by instruction, administration, and support services. Funds for "instruction," approximately 43% of the total 1975-1976 budget, are allocated directly to community school districts, high schools, special education programs for the handicapped, pupil personnel services, and school safety:

THE 1975-1976 BUDGET
FOR ADMINISTRATION AND SUPPORT
(Millions of Dollars)

| | 1975-1976 AMOUNT | PERCENT OF TOTAL BUDGET |
|---|---|---|
| Budget Controlled by Board | $1,221.5 | 44% |
| Instruction | $1,185.0 | 43% |
| Administration and Support | $ 36.5 | 1% |

Approximately 1% of the Board of Education's total 1975-1976 budget is allocated for "administration" and "support services." Funds for administration go to the Board of Education itself, the Office of the Chancellor, the Office of the Deputy Chancellor, the Division of Personnel, and the Division of Business Administration. Funds for support services are primarily allocated to the Division of Educational Planning and Support, the Office of Elementary and Junior High School Instructional Support, and the Office of School Safety. All of these operations, which partly constitute what is known as "110 Livingston Street," represent system-wide, central

administration and support services. The direct administration of community school districts, high schools, and special education for the handicapped is included in the "instruction" part of the budget. Exhibit D-13 lists all of the central administration and support functions.

Portions of Programs 1, 2, 3, 4, 7, and 31 are included in the budget for administration and support services. A summary of this budget for fiscal years 1974-1975 and 1975-1976 appears in the following table (for a detailed breakdown of the budget see Exhibits D-14 and D-15):

ADMINISTRATION AND SUPPORT SERVICES
1974-1975 and 1975-1976
(Millions of Dollars)

| | TOTAL | PERSONAL SERVICE | OTHER THAN PERSONAL SERVICE |
|---|---|---|---|
| 1974-1975 | $ 46.6 | $ 36.6 | $ 10.0 |
| 1975-1976 | $ 36.6 | $ 27.7 | $ 8.9 |
| REDUCTION | | | |
| Dollars | $-10.0 | $- 8.9 | $- 1.1 |
| Percent | -21.5% | -23.3% | -11.0% |

As with the budgets for all of the Board's programs, the one for administration and support services can be divided into two parts: "personal service" and "other than personal service" (OTPS).* The personal service part of the budget is used for wages and salaries for people working at central headquarters; all other expenditures (e.g., telephone, postage, computer rental, etc.) come out of OTPS.

*For a simple explanation of what this type of budget division means, see the following section, "How Budget Cuts Are Made."

EXHIBIT D–13

## ADMINISTRATION AND SUPPORT
## $ 36,561,034 FOR 1975-1976

PROGRAM 1

CITY BOARD OF EDUCATION
$ 1,460 ,688

CITY BOARD OF EDUCATION

SECRETARY

LEGISLATIVE REPRESENTATIVE

PROGRAM 2

CITY GENERAL ADMINISTRATION
$8,810,523

CHANCELLOR

DEPUTY CHANCELLOR

EDUCATIONAL EVALUATION

EDUCATIONAL PERFORMANCE AND ACCOUNTABILITY

LABOR RELATIONS AND COLLECTIVE BARGAINING

EDUCATIONAL STATISTICS

AUDITOR GENERAL

LAW

SCHOOL SAFETY

EQUAL OPPORTUNITY

PUBLIC AFFAIRS

PROGRAM 31

DIVISION OF COMMUNITY SCHOOL DISTRICT AFFAIRS
$ 1,027,850

CENTRAL ZONING

FUNDED PROGRAMS

SCHOOL SERVICES

PROGRAM 4

DIVISION OF EDUCATIONAL PLANNING AND SUPPORT
$5,617,243

CURRICULUM CENTERS

CAREER EDUCATION

MEDIA AND COMMUNICATION

SCHOOL DEVELOPMENT

STAFF DEVELOPMENT

PROGRAM 7

DIVISION OF BUSINESS AND ADMINISTRATION
$15,178,451

FINANCIAL PLANNING

FINANCIAL OPERATIONS

SUPPORTIVE SERVICES

REIMBURSABLE PROGRAMS

INFORMATION PROCESSING

PROGRAM 3

DIVISION OF PERSONNEL
$4,466,279

PEDAGOGIC PERSONNEL

ADMINISTRATIVE PERSONNEL

STAFF SERVICES

FIELD SERVICES

BOARD OF EXAMINERS

Although only a little more than 1¢ of every school dollar is now spent for administration and support services, cuts in this portion of the Board's budget have not been spared at the expense of instruction. The following table lists some of these cuts during the 1975-1976 school year:

1975-1976 BUDGET CUTS IN
ADMINISTRATION AND SUPPORT SERVICES

| AREAS CUT | PERCENT CUT |
|---|---|
| Office of Deputy Chancellor | -19% |
| Office of Administrative Personnel | -17% |
| Board of Examiners | -35% |
| Division of Educational Planning and Support | -39% |
| Central Zoning Unit | -31% |
| Board of Education* | -14% |
| Office of Educational Performance and Accountability | -18% |
| Office of Elementary and Junior High School Instructional Support | -26% |

Keep in mind that actual cuts in administration and support services are not apparent in the official budget documents (e.g., the "adopted budget") released by the city. This happens because the mayor, out of budgetary convenience, places most of the cuts in areas related to instruction. However, soon after the Board of Education receives its annual budget from the city, many of the cuts attributed to instruction (or "hidden" as lump sums below the line or as accruals) are then rescheduled to other areas. Thus, administration and support services will eventually receive a larger share of the total cut than that shown in the 1976-1977 adopted budget.

*Here, the designation "Board of Education" refers to the Board members themselves and their immediate support staff.

EXHIBIT D-14

# ADMINISTRATION AND SUPPORT
## 1974-1975 TO 1976-1977

| PROGRAM | TOTAL PS & OTPS | PERSONAL SERVICE (PS) | OTHER THAN PERSONAL SERVICE | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | TOTAL OTPS | SUPPLIES | EQUIPMENT | SERVICES | FIXED CHARGES | TRAINING PROGRAM | RENTS | JUDGMENT AND CLAIMS | UNSCHEDULIZED CUTS |
| **1974-1975*** | | | | | | | | | | | |
| 1 City Board of Education | $ 1,638,599 | $ 1,220,396 | $ 418,203 | $ 70,869 | $ 10,100 | $ 337,234 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| 2 City General Administration | 9,050,548 | 6,951,175 | 2,099,373 | 285,525 | 59,910 | 1,753,938 | 0 | 0 | 0 | 0 | 0 |
| 3 Personnel | 6,564,764 | 6,088,660 | 476,104 | 167,224 | 17,700 | 251,180 | 0 | 40,000 | 0 | 0 | 0 |
| 4 Educational Planning and Support | 9,742,926 | 8,567,837 | 1,175,089 | 465,945 | 185,295 | 425,849 | 98,000 | 0 | 0 | 0 | 0 |
| 7 Business and Administration | 18,296,820 | 12,510,739 | 5,786,081 | 400,471 | 431,794 | 3,292,960 | 8,550 | 0 | 1,272,106 | 380,200 | 0 |
| 31 Community District Affairs | 1,335,558 | 1,239,529 | 96,029 | 56,948 | 1,086 | 37,995 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | $46,629,215 | $36,578,336 | $10,050,879 | $1,446,982 | $705,885 | $6,099,156 | $106,550 | $40,000 | $1,272,106 | $380,200 | $ 0 |
| **1975-1976**** | | | | | | | | | | | |
| 1 City Board of Education | $ 1,460,688 | $ 1,091,900 | $ 368,788 | $ 49,229 | $ 10,100 | $ 313,374 | $ 0 | $ 0 | $ 0 | $ 0 | $- 3,915 |
| 2 City General Administration | 8,810,523 | 6,511,754 | 2,298,769 | 288,012 | 44,750 | 1,973,707 | 0 | 4,400 | 0 | 0 | - 12,100 |
| 3 Personnel | 4,466,279 | 4,252,655 | 213,624 | 43,714 | 14,700 | 121,210 | 0 | 40,000 | 0 | 0 | - 6,000 |
| 4 Educational Planning and Support | 5,617,243 | 4,920,969 | 696,274 | 237,453 | 208,195 | 193,301 | 109,000 | 0 | 0 | 0 | - 51,675 |
| 7 Business and Administration | 15,178,451 | 9,956,456 | 5,221,995 | 482,971 | 145,394 | 2,875,086 | 8,550 | 0 | 1,442,009 | 380,200 | -112,215 |
| 31 Community District Affairs | 1,027,850 | 959,581 | 68,269 | 37,285 | 1,086 | 29,898 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | $36,561,034 | $27,693,315 | $ 8,867,719 | $1,138,664 | $424,225 | $5,506,576 | $117,550 | $44,400 | $1,442,009 | $380,200 | $-185,905 |
| **1976-1977***** | | | | | | | | | | | |
| 1 City Board of Education | $ 1,460,688 | $ 1,091,900 | $ 368,788 | $ 49,229 | $ 10,100 | $ 313,374 | $ 0 | $ 0 | $ 0 | $ 0 | $- 3,915 |
| 2 City General Administration | 8,735,839 | 6,437,070 | 2,298,769 | 288,012 | 44,750 | 1,973,707 | 0 | 4,400 | 0 | 0 | - 12,100 |
| 3 Personnel | 4,383,018 | 4,169,394 | 213,624 | 43,714 | 14,700 | 121,210 | 0 | 40,000 | 0 | 0 | - 6,000 |
| 4 Educational Planning and Support | 5,571,136 | 4,874,862 | 696,274 | 237,453 | 208,195 | 193,301 | 109,000 | 0 | 0 | 0 | - 51,675 |
| 7 Business and Administration | 10,526,429 | 5,614,434 | 4,911,995 | 482,971 | 145,394 | 2,875,086 | 8,550 | 0 | 1,442,009 | 380,200 | -422,215 |
| 31 Community District Affairs | 781,760 | 713,491 | 68,269 | 37,285 | 1,086 | 29,898 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | $31,458,870 | $22,901,151 | $ 8,557,719 | $1,138,664 | $424,225 | $5,506,576 | $117,550 | $44,400 | $1,442,009 | $380,200 | $-495,905 |

*End of year budget.
**Budget as modified through EM-136.
***Budget as adopted by the Mayor, City Council and Board of Estimate.

EXHIBIT D–15

## BUDGET CHANGES IN ADMINISTRATION AND SUPPORT
## 1974-1975 TO 1976-1977

| | PROGRAM | 1974-1975 EM-322 | 1975-1976 EM-136 | CHANGE 1974-75 TO 1975-76 AMOUNT | CHANGE 1974-75 TO 1975-76 PERCENT | 1976-1977 ADOPTED | CHANGE 1975-76 TO 1976-77 AMOUNT | CHANGE 1975-76 TO 1976-77 PERCENT | CHANGE 1974-75 TO 1976-77 AMOUNT | CHANGE 1974-75 TO 1976-77 PERCENT |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CITY BOARD OF EDUCATION | $ 1,638,599 | $ 1,460,688 | $– 177,911 | – 10.9 % | $ 1,460,688 | $ 0 | – 0.0 % | $– 177,911 | – 10.9 % |
| 2 | CITY GENERAL ADMINISTRATION | 9,050,548 | 8,810,523 | – 240,025 | – 2.7 | 8,735,839 | – 74,684 | – 0.8 | – 314,709 | – 3.5 |
| 3 | PERSONNEL | 6,564,764 | 4,466,279 | – 2,098,485 | – 32.0 | 4,383,018 | – 83,261 | – 1.9 | – 2,181,746 | – 33.2 |
| 4 | EDUCATIONAL PLANNING AND SUPPORT | 9,742,926 | 5,617,243 | – 4,125,683 | – 42.3 | 5,571,136 | – 46,107 | – 0.8 | – 4,171,790 | – 42.8 |
| 7 | BUSINESS AND ADMINISTRATION | 18,296,820 | 15,178,451 | – 3,118,369 | – 17.0 | 10,526,429 | – 4,652,022 | – 30.6 | – 7,770,391 | – 42.5 |
| 31 | COMMUNITY DISTRICT AFFAIRS | 1,335,558 | 1,027,850 | – 307,708 | – 23.0 | 781,760 | – 246,090 | – 23.9 | – 553,798 | – 41.5 |
| | TOTAL | $ 46,629,215 | $ 36,561,034 | $–10,068,181 | – 21.6 % | $ 31,458,870 | $– 5,102,164 | – 14.0 % | $–15,170,345 | – 32.5 % |

Another dimension of the cuts in administration and support services is evident in the following table which shows the reduction in the number of teachers assigned to central headquarters:

1975-1976 REDUCTION OF TEACHERS
ASSIGNED TO CENTRAL HEADQUARTERS

| AREAS ASSIGNED | NUMBER OF TEACHERS JUNE 1975 | NUMBER OF TEACHERS JUNE 1976 | CHANGE NUMBER | CHANGE PERCENT |
|---|---|---|---|---|
| Board of Education* | 0 | 0 | 0 | 0% |
| General Administration | 31 | 22 | - 9 | - 29% |
| Personnel | 39 | 20 | - 19 | - 49% |
| Educational Planning and Support | 87 | 33 | - 54 | - 62% |
| School Buildings | 1 | 1 | 0 | 0% |
| Business and Administration | 6 | 5 | - 1 | - 17% |
| Centralized District Activities | 21 | 13 | - 8 | - 38% |
| Community School District Affairs | 23 | 11 | - 12 | - 52% |
| Total Teachers Assigned to Central Headquarters | 208 | 105 | - 103 | - 50% |
| Total Teachers Assigned to District Headquarters** | 104 | 80 | - 24 | - 23% |

Between June of 1975 and June 1976, half of the teachers at central headquarters and a fifth of the teachers at district headquarters have either been terminated or reassigned to schools. Thus, those teachers who have been reassigned now provide direct instructional services to children.

*Once again, this designation refers to the Board members themselves and their immediate support staff.

**Although not included in the budget for administration and support services, these figures are presented in order to show that community districts have also made an effort to reduce the number of teachers assigned to their headquarters.

HOW BUDGET CUTS ARE MADE

A budget can be cut in several ways, some of them obvious and others less so. In order to interpret and understand a cut, one must first be able to recognize when a cut has been made. This section is meant to be a kind of primer in how to spot and read cuts in the Board of Education's budget.

In order to simplify things we will analyze a hypothetical "Program 100" (see Exhibit D-16). This program's budget is divided into two parts: "personal service" and "other than personal service" (OTPS). The personal service part of the budget is allocated for wages and salaries only; all other expenditures (e.g. supplies) come out of OTPS.

For 1975-1976 Program 100 has four personal service lines, three of which are for annual positions and one for hourly personnel. The sum of the amounts scheduled on the personal service lines is $172,000. But, as we will see next, the amount scheduled is not the amount that can actually be spent.

True to the exigencies of the fiscal crisis, the mayor's Office of Management and Budget has assigned our hypothetical program $25,000 in required accruals, so called because they must accrue on the lines and cannot be spent. In budget lingo, required accruals are often referred to as cuts below the line.

Taking below the line cuts into account, the $172,000 scheduled for personal service is reduced to $147,000, the "code total" which actually can be spent.* Since the amount spent for personal service

*Sometimes the scheduled total is called the "gross amount," and the spendable or code total is called the "net budget" or the "budget net of accruals."

EXHIBIT D-16

THE BUDGET OF HYPOTHETICAL PROGRAM 100

| LINE | TITLE | 1975-1976 POSITIONS | 1975-1976 SCHEDULED AMOUNT | ADOPTED BUDGET 1976-1977 POSITIONS | ADOPTED BUDGET 1976-1977 SCHEDULED AMOUNT | CHANGE |
|---|---|---|---|---|---|---|
| PERSONAL SERVICE | | | | | | |
| 1 | Lump Sum for Annualizing 1975-1976 Increments | | | | $ 1,800 | $ 1,800 |
| 2 | Lump Sum for Instructional Supplies | | | | $ 50 | $ 50 |
| 3 | Director | 1 | $ 25,000 | 1 | $ 25,000 | |
| 4 | Teacher | 9 | $ 35,000 | 7 | $ 105,000 | -30,000 |
| 5 | Secretary | 1 | 8,000 | 1 | 8,000 | |
| 6 | Educational Assistant, 1,000 hours @ $4.00/hr. | | 4,000 | | 4,000 | |
| | PS Schedule Total | 11 | $ 172,000 | 9 | $ 143,850 | $-28,150 |
| | Required Accruals | | - 25,000 | | - 30,000 | - 5,000 |
| | Required Savings FY 1977 | | | | - 10,000 | -10,000 |
| | PS CODE TOTAL | | $ 147,000 | | $ 103,850 | $-43,150 |
| OTHER THAN PERSONAL SERVICE | | | | | | |
| 7 | 100 Supplies | | $ 1,000 | | $ 1,000 | |
| 8 | 400 Services | | 5,000 | | 5,000 | |
| | OTPS Schedule Total | | $ 6,000 | | $ 6,000 | |
| | Required Savings FY 1977 | | | | - 100 | $- 100 |
| | OTPS CODE TOTAL | | $ 6,000 | | $ 5,900 | $- 100 |
| TOTAL PROGRAM 100 | | | | | | |
| | Schedule Total | | $ 178,000 | | $ 149,850 | $-28,150 |
| | Required Accruals | | - 25,000 | | - 30,000 | $- 5,000 |
| | Required Savings FY 1977 | | | | - 10,100 | -10,100 |
| | CODE TOTAL | | $ 153,000 | | $ 109,750 | $-43,250 |

cannot exceed $147,000, the manager of Program 100 must generate the $25,000 in accruals by leaving positions vacant at the beginning of the fiscal year, by not filling vacancies that may occur sometime during the year, or by laying off staff during the year.

The OTPS budget for Program 100 has two lines: one for supplies and the other for services. There is no such thing as an accrual for OTPS. Unlike personal services which are bought with many payments during the course of the year, OTPS represents items (or services) which are purchased with one payment.

For the next fiscal year, 1976-1977, the adopted budget for Program 100 shows a net reduction of $43,250 -- an amount resulting from increases and decreases within the budget.

The increases, totaling $1,850, include two lump sums: one for personal services ($1,800) and the other for supplies ($50). As a matter of traditional accounting practice, however, all lump sum changes in a budget are listed under personal service even if they include amounts used for OTPS. During the fiscal year, the OTPS lump sum amount will be rescheduled on OTPS lines as needed.

The decreases for 1976-1977, totaling $45,100, include a line cut of two teacher positions ($30,000), required accruals ($5,000), and "required savings" ($10,000 in personal service and $100 in OTPS). As with accruals, required savings represent cuts below the line. However,

at the beginning of the fiscal year, the required savings must be scheduled against actual budget lines. For personal services this will probably mean the elimination of one more teacher position; the reduction in OTPS will come either from supplies or services.

Each of the three types of budget cuts (i.e., line cuts, required accruals, and required savings) discussed thus far, imply different kinds of decision-making power. Line cuts, for example, represent specific reductions decided strictly and solely by the mayor's Office of Management and Budget. Required accruals and savings, though mandated by the Office of Management and Budget, are scheduled above the line by the program manager. With the required savings he must decide which lines to eliminate. With the required accruals he is able to exercise more latitude since he can leave lines vacant rather than eliminate them outright.

There is yet one further type of budget cut which actually represents a form of internal expenditure control. Accruals, beyond those mandated in the adopted budget, can be generated by deciding not to fill excess vacancies. For example, if the director of Program 100 retires sometime during the year, a decision may be made to leave the position vacant. Such a decision would create an excess accrual on the director's line. This "surplus" could then be used to fund an unforeseen deficit in another program.

## APPENDIX E
## RECENT MANAGEMENT REFORM INITIATIVES AT THE BOARD OF EDUCATION

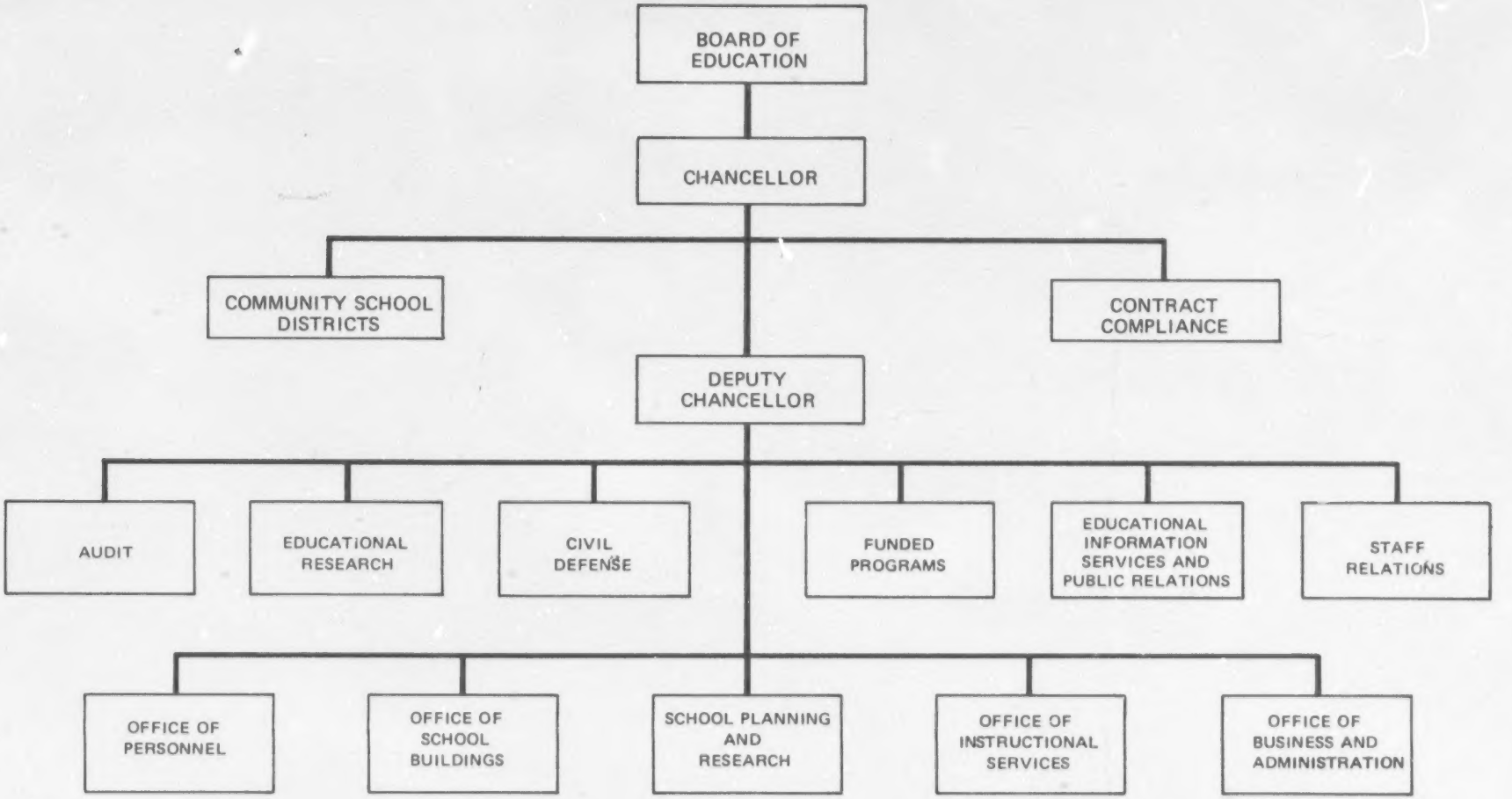
Following the New York State Legislature's 1969 mandate to decentralize the governance and managememt of public education in New York City, Chancellor Harvey B. Scribner asked the Economic Development Council (EDC) to assemble a task force of top-level businessmen to study headquarters organization and operations. The EDC task force completed its study late in 1971. Among other things, the task force recommended a comprehensive reorganization of offices at central headquarters aimed at improving management efficiency and strengthening educational leadership in a manner consistent with the new requirements of decentralization.

Prior to the EDC study, the business and educational functions performed by central headquarters staff were not clearly articulated. Both functions were first reviewed by the Deputy Chancellor and then sent to the Chancellor for final approval (see Exhibit E-1 for a delineation of central headquarters structure before reorganization). This organizational structure resulted in considerable duplication of effort and confusion about roles and responsibilities among the various offices at central headquarters. People with pedagogic backgrounds were frequently put in the unenviable position of having to make business related decisions.*

*This is not an original observation. See "Administrative Management of the School System of New York City" (Strayer and Yavner Report), Mayor's Committee on Managemenent Survey, New York City, 1951.

EXHIBIT E–1

## NEW YORK CITY BOARD OF EDUCATION
## ORGANIZATIONAL STRUCTURE
## 1971



Following the EDC study, the Board of Education began to institute many elements of the recommended reorganization. Over the next two years, a structure emerged which separated the business and educational functions of the offices at central headquarters. One of the most important features of the new structure was the differentiation of responsibilities given to the Chancellor and the Deputy Chancellor.* The task of providing overall educational leadership for the school system was lodged in the Office of the Chancellor. Subordinate to the Chancellor, but nevertheless distinct in terms of its specific function, the Office of the Deputy Chancellor was given primary responsibility for the school system's management and business affairs. In effect, the reorganization resulted in the bifurcated structure that presently exists at central headquarters (see Exhibit E-2 for details).

Given the mandate that accompanied the reorganization of central headquarters, the Office of the Deputy Chancellor initiated a number of management reforms aimed at eliminating duplication of effort within the school system, streamlining operations, and ending uneconomical and ineffective services. Although most of these initiatives were undertaken prior to the onset of the fiscal crisis, they are even more timely today in light of education's dwindling budget. A number of these reforms are listed in the following pages. After a brief description of each reform, appropriate documents are noted for those desiring more detailed information.

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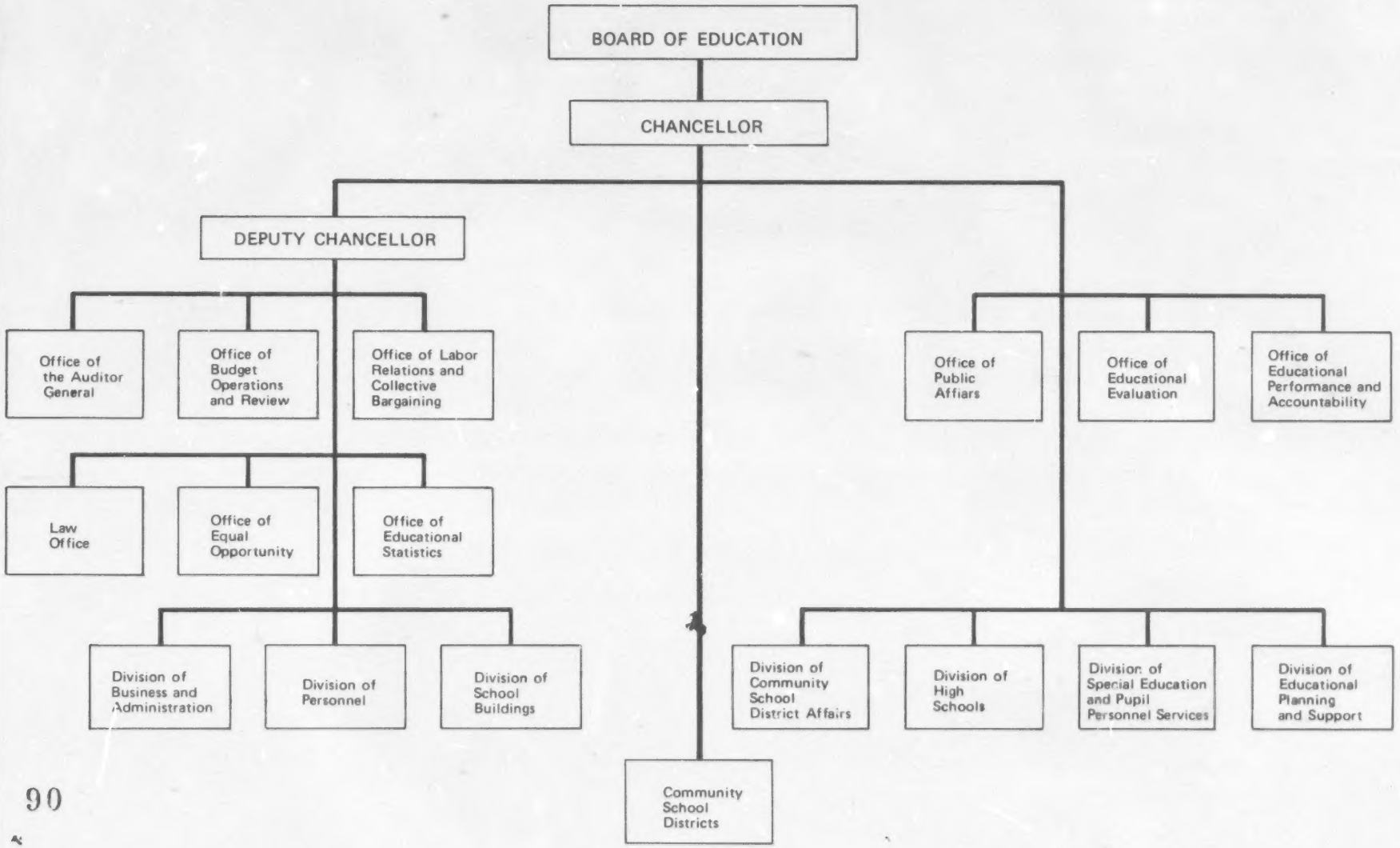
*According to Special Circular No. 20, 1973-74 (October 4, 1973): "The Chancellor is the Chief Executive of the system. He will concentrate on issues which have direct educational implications. The Chancellor will delegate to the Deputy Chancellor the management and administrative activities as the Chief Business Affairs Officer of the City School District."

EXHIBIT E–2

## NEW YORK CITY BOARD OF EDUCATION
## ORGANIZATIONAL STRUCTURE
## 1976


BOARD OF EDUCATION
CHANCELLOR
DEPUTY CHANCELLOR
Office of the Auditor General
Office of Budget Operations and Review
Office of Labor Relations and Collective Bargaining
Law Office
Office of Equal Opportunity
Office of Educational Statistics
Division of Business and Administration
Division of Personnel
Division of School Buildings
Office of Public Affiars
Office of Educational Evaluation
Office of Educational Performance and Accountability
Division of Community School District Affairs
Division of High Schools
Division of Special Education and Pupil Personnel Services
Division of Educational Planning and Support
Community School Districts

BUSINESS PROCEDURES FOR DECENTRALIZATION

Decentralization made expenditure control an especially difficult problem for the Board of Education. In fiscal year 1970-1971, the school system as a whole was overspending at a rate which would have resulted in a $40 million deficit. A special legislative oversight committee was established to investigate this situation. The committee concluded its review by observing that the Board of Education, a $2 billion a year enterprise, was being run "like a corner candy store." This devastating observation provided the impetus for the comprehensive study conducted by the Economic Development Council task force.

The recommendations of the EDC task force resulted in the reorganization of central headquarters. During the 1973-1974 school year, the present Deputy Chancellor was hired to function as chief business affairs officer of the school system. Almost immediately, a crash program to upgrade expenditure control was developed and implemented. A projected midyear deficit of $31 million, most of it coming from overspending by community school districts, was reduced to less than half a million dollars by the end of the year. Soon thereafter, a District Business Management Team was organized to assist community school districts in developing their own expenditure analysis systems. For further information, see Standard Operating Procedures for Community School Districts, New York City Board of Education, June 1976.

COMPREHENSIVE MANAGEMENT INFORMATION SYSTEM

A five-year plan was instituted for the development of a management information system designed to bring the public schools of New York City into compliance with the accounting and fiscal reporting standards of the Municipal Finance Officers Association. For the first time in the Board of Education's history, basic information in the areas of budget, personnel administration, and finance will be integrated into a comprehensive data storage and retrieval system capable of aiding management decision-making.

- "Information Systems Planning: Phase I," Internal Note No. 4, October 1974.
- "Information Systems Plan: Customization Phase," Internal Note No. 5, October 1974.
- "Information Systems Planning: Phase II," December 1975.
- "New York City Board of Education Five Year Plan For Systems Development," January 1976.
- "Computerized Budget Reporting System," February 1976.
- "Responsibility Center Budget Process," March 1976.
- "Comparative Analysis: New York City Integrated Financial Management System -- Board of Education Financial Information Control System," March 1976.

MANAGEMENT AUDITS

The Board of Education has long been criticized for performing limited, inadequate audits of its financial records. Therefore, late in 1974, its Bureau of Audit was reorganized and given expanded responsibilities. This

new unit, called the Office of the Auditor General, was given the authority to conduct comprehensive "operational audits" for economy, efficiency, and effectiveness. In addition, the unit was provided with broad investigative powers. Soon after the Office of the Auditor General was created, it developed and implemented standard accounting procedures for the school system consistent with criteria set by the American Institute of Certified Public Accountants, the United States Government Accounting Office, and the New York State Education Department (see Audit Manual, Office of the Auditor General, New York City Board of Education, 1975).

Annual independent audits represent another recent reform in the school system's fiscal operations. Conducted for the first time in 1973, these outside audits attest to the fairness, accuracy, and soundness of the Board of Education's financial records. The results of the independent audits are reported in the following documents:

- "Board of Education of the City of New York: Report on Examination of Statements and Supplementary Data for the Year Ended June 30, 1972," Coopers & Lybrand, April 1973.

- "Board of Education of the City of New York: Report on Examination of Statement of Expense Budget Appropriations and Expenditures for the Year Ended June 30, 1973," Coopers & Lybrand, July 1974.

- "Board of Education of the City of New York: Report on Examination of Statement of Expense Budget Appropriations and Expenditures for Year Ended June 30, 1974," Coopers & Lybrand, April 1975.

- "Board of Education of the City of New York: Statement of Expense Budget Appropriations and Expenditures for the Year Ended June 30, 1975," Touche Ross & Co., June 1976.

RESOURCE ALLOCATION FOR DECENTRALIZATION

Following decentralization, the Board of Education distributed money to the city's community school districts according to a formula which met the requirements of the law but resulted in considerable dissatisfaction and widespread charges of inequity. After intensive analysis and consultation with community school district representatives, the Office of the Deputy Chancellor developed a new set of allocation formulae. First implemented in 1974-1975, the new formulae received unanimous support from the community school boards.

- "The 1973-1974 Allocation Formulae: An Analysis," Policy Paper No. 1, May 1, 1974.
- "The 1974-1975 Allocation Formulae," Policy Paper No. 2, June 27, 1974.
- "Impact of Projected Average Salary and Projected Register on the 1974-1975 Allocation Formula," Internal Note No. 1, August 6, 1974.
- "Special Needs Allocation 1974-1975 and 1973-1974: A Comparison," Internal Note No. 2, August 22, 1974.
- "The 1975-1976 Allocation Formulae," Policy Paper No. 3, June 27, 1975.
- "The Impact of the 1975-1977 UFT-Board of Education Contract on Class Size, Maximum Pupil-Teacher Ratios and the 1975-1976 Allocation Formulae," Policy Paper No. 4, September 19, 1975.
- "Resource Allocation in a Decentralized School System: The 1976-1977 Allocation Formulae," Policy Paper No. 5, June 30, 1976.

COLLECTIVE BARGAINING

Prior to the expiration of the 1972-1975 contract between the Board of Education and the United Federation of Teachers, the Office of the Deputy Chancellor conducted a number of analytical studies pertinent to the negotiation of a new contract. These "negotiation notes" were instrumental in establishing and defending the Board's position during collective bargaining negotiations for the new 1975-1977 contract.

- "Documentation for the Teacher Population Projection Model," July 1975.
- "The New York City Pension Systems," Negotiation Note No. 1, August 4, 1975.
- "Salary, Pension, Fringe Benefit, and Workload Comparison for Teachers in Selected School Districts," Negotiation Note No. 2, August 11, 1975.
- "Teacher Salary Increases in the New York City School District 1969-1975," Negotiation Note No. 3, August 12, 1975.
- "Fringe Benefit Study Long Island, New York, 1974-1975," Negotiation Note No. 4, August 14, 1975.
- "Fact Sheet 1," Negotiation Note No. 5, August 15, 1975.
- "Contract Analysis for Westchester and Putnam Counties 1974-1975," Negotiation Note No. 6, August 15, 1975.
- "Cost and Distribution of Personnel Represented by the United Federation of Teachers," Negotiation Note No. 7, August 19, 1975.
- "Consumer Price Indices and Cost of Living Adjustment," Negotiation Note No. 8, August 26, 1975.
- "Board of Education Special Budget Briefing for New York City Legislators -- Volume 1: Summary, Volume 2: Detailed Analysis," October 1975.

PROJECT MANAGEMENT

Until recently, the Board of Education had to rely on outside consulting firms to help solve the school system's most difficult managerial problems. This practice was not only costly, but also resulted in too many "reforms" which were never properly implemented because of the "not invented here" factor. Cognizant of this situation, the Office of the Deputy Chancellor established an in-house management consulting unit. Over the past two years, this unit has provided project management services to various divisions and offices administered from central headquarters.

- "Bureau of School Lunches Finance Division Operations Review," February 1975.
- "Office of School Safety Operations Improvement Project -- Volume 1: Analysis of Operations and Organization, Volume 2: Manual of Fiscal Procedures," October 1975.
- "Strengthening Business Management in the Division of Special Education and Pupil Personnel Services," Management Paper No. 1, November 1975.
- "Revision of Procedures for the Education of Handicapped Children in Non-Public Schools Under Sections 4404(2)B, 4403, and 4407," February 1976.
- "Allocation Formula for Custodial Services," April 1976.
- "Priority Budget Review: 1976-1977 Executive Budget," June 1976.
- "Adult Education: A Survival Plan," Management Paper No. 2, September 1976.
- Custodial Expenditures Review Project, in progress.
- School Lunch Program Review Project, in progress.
- Pupil Transportation Improvement Project, in progress.

## ASSURING EQUAL OPPORTUNITIES FOR PUPILS AND STAFF

Over the past twenty years, the courts have played an increasingly important role in the determination of public school policy. Nowhere is this influence more evident than in the related areas of equal educational opportunity for pupils and equal employment opportunity for staff members. The Supreme Court's decision in Brown v. Board of Education (1954) and passage of the Civil Rights Act of 1964 have each spawned a formidable body of litigation and legislation. These recent changes in the law have had a profound impact on the operation of New York City's public schools. Consequently, the Office of the Deputy Chancellor has been conducting research and analysis aimed at bringing the school system's policies in line with the latest legislative mandates and judicial trends.

- "Seniority and Layoffs: A Review of Recent Court Decisions and Their Possible Impact on the New York City Public School System." Working Note No. 1 in a Series: Assuring Equal Employment Opportunities in the City School District of New York, November 1975.

- "Legal Issues in the Classification of Handicapped Children in New York City," Special Report No. 1 in a Series: Assuring Equal Educational Opportunity for Handicapped Children in New York City, September 1976.

- "The Cost of Educating Handicapped Pupils in New York City," Special Report No. 2 in a Series: Assuring Equal Educational Opportunity for Handicapped Children in New York City, September 1976.

PERSONNEL ADMINISTRATION

During the late 1960's and early 1970's, the teacher absenteeism rate exceeded 6.5% and cost the school system more than $30 million a year. Consequently, the Division of Personnel (in cooperation with the United Federation of Teachers and school administrators) developed and implemented an absenteeism reduction program. As a result of this program, occasional absenteeism among teachers has dropped by approximately 25%. This, in combination with a one-third reduction in pay for substitute teachers (down from an average of $62 a day to a system-wide fixed rate of $40), has cut the yearly cost of absenteeism by more than half.

BUDGET FOR TEACHER ABSENCES
(Millions of Dollars)

| | 1974-1975 | 1975-1976 | 1976-1977* |
|---|---|---|---|
| Community School Districts | $21.3 | $ 9.4 | $ 9.4 |
| High Schools | 7.9 | 4.9 | 4.9 |
| Special Schools | 3.3 | 2.1 | 1.7 |
| TOTAL | $32.5 | $16.5 | $16.0 |

Even greater reductions are anticipated in the future since the absenteeism reduction program is being upgraded this year with the introduction of a computerized control system.

*Figures for 1976-1977 do not include unscheduled, below the line cuts. Therefore, the actual budget for teacher absences in 1976-1977 will likely be lower.

Another important reform in personnel administration is pending. After many years of discussion and debate, the Board of Education is seriously considering the adoption of a new class of job titles referred to as the "education administrator and education associate series." These new titles would apply to certain types of administrative positions at central and district headquarters -- positions which the Board of Education has previously had to fill from the city's civil service lists or by assigning teachers whose skills matched the particular job. The reform being contemplated will promote lateral entry of highly skilled personnel into the Board of Education from outside organizations and governmental agencies. It will also promote flexibility in recruiting and placing personnel, reduce inconsistencies in assignments, and encourage a more rational organizational structure at central and district headquarters.

EDUCATIONAL DATA BASE

Considering the size and complexity of New York City's public school system, a formidable quantity of educational data must be collected in order to meet a wide variety of policy, legal, and fiscal requirements. In 1975, a new Office of Educational Statistics was created (by merging units from a number of other offices) so that the educational data needs of the school system would be managed in a comprehensive, coordinated, consistent, and responsive manner. As a result of establishing this office, the public schools now have their first comprehensive educational data base. This consists of a detailed file of information on pupil characteristics, staff patterns, and resource allocations. Assembled

and integrated on magnetic tape for computer processing and analysis, the data base is presently being used to support effective program planning and management.

A more specialized educational data base, the New York Educational Information System (NYEIS), is presently being phased in for the city's 300,000 public high school students. Developed as a standardized, automated pupil personnel information system, NYEIS can perform many functions such as student scheduling, attendance accounting, and record keeping for report cards. When fully operational, this system will also provide information that can be used to improve educational decision making -- from counseling individual students to planning for the entire Division of High Schools.

- "Description of the New York Educational Information System: Pupil Personnel Subsystem," Internal Note No. 3, November 1974.
- "Restructuring the Collection, Processing, and Dissemination of Educational Data: An Action Plan for Change," Internal Note No. 6, December 1974.
- "Community School Profiles: 1973-1974," April 1975.
- "Annual Pupil Ethnic Census on October 31, 1974," September 1975.
- "ESEA Title I Target Schools: 1976-1977 School Year," March 1976.
- "Ethnic Composition of Professional Staff: 1970-1971 to 1974-1975," Statistical Memorandum No. 1, April 1976.
- "Community and High School Profiles: 1974-1975," July 1976.
- "Annual Pupil Ethnic Census on October 31, 1975," Statistical Memorandum No. 2, September 1976.

STATE EDUCATION AID

Since state education aid accounts for such a significant part of the school system's operating revenue, the formula used to distribute this aid has been subjected to close scrutiny. Serious inequities in the current formula annually cost the public schools of New York City more than $400 million in foregone aid. Over the past three years, the Office of the Deputy Chancellor has developed a number of proposals for reforming the formula:

- "An Analysis and Critique of the 1974-1975 New York State Education Aid Formula," Working Note No. 3, April 4, 1975.
- "An Analysis and Critique of the Governor's Proposals for Changing the 1976-1977 State Education Aid Formula and Their Impact on New York City's Public Schools," Working Note No. 4, March 1976.
- "The Impact on New York City's Public Schools of the 1976-1977 State Education Aid Formula Amendments," Working Note No. 5, April 1976.

These reports, supplemented by a continuing research effort, are presently serving as the analytical foundation for a major lawsuit challenging the constitutionality of New York State's aid to education statute. This lawsuit was initiated in 1974 by the Levittown Board of Education and twenty-four other suburban and rural school districts. Their complaint challenges the impact of New York State's school finance system on districts having low taxable resources to support their public education programs. Subsequent to the action initiated by the Levittown plaintiffs, the school boards of New York's four largest cities filed an intervention complaint which challenges

the discriminatory payment formula of the state's public education aid statute. The remainder of this section summarizes the pre-trial memorandum filed on behalf of the New York City Board of Education and the three other intervening urban school districts.

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Since 1968, the school finance systems in a number of states have been challenged in the courts. In 1971, a landmark ruling was issued by the California Supreme Court in Serrano v. Priest, and in 1973 the issue reached the Supreme Court of the United States in San Antonio Independent School District v. Rodriquez. Although four members of the Court agreed to require a major overhaul of school finance systems in order to eliminate intrastate disparities and inequities, a five member majority was unready to undertake the judicial task. Significantly, however, even the majority opinion recognized that the problem of school finance is most acute in major urban centers. Thus, in rejecting the Rodriguez plaintiffs' attack upon the local wealth variable in intrastate funding levels, the Supreme Court majority emphasized the lack of "any assurance that the poor, the racial minorities, or the children in overburdened core-city school districts would be benefitted" by plaintiffs' constitutional theory. In addition, the majority opinion pointed out that the finance reform being urged by plaintiffs "is likely to lead to higher taxation and lower educational expenditures in the major urban centers, a result that would exacerbate rather than ameliorate existing conditions in those areas."

The present case is the first to invoke the Supreme Court's expressed concern for the problem of school finance in major urban centers. The intervention complaint focuses on the fact that under the New York statute, the large urban school districts are systemtatically restricted to reduced and minimum state education aid. This minimization of aid is the result of the statute's unrealistic and false assumption that these districts have greater ability to support their public school programs from local revenues. Contrary to the statute's operative assumption, the urban school districts are, in fact, the least favored and most burdened in meeting their public education costs.

By denying urban school districts what is their due, the state aid statute creates an inequity enormous in its monetary and educational consequences. The state aid statute irrationally withholds at least $500 million a year from the four intervening school districts; New York City alone is improperly denied more than four-fifths of that amount for meeting its legitimate annual school costs. The inequitable reduction in aid to New York's four largest school districts is all the more prejudicial considering their enourmous numbers and concentration of students who meet the state's own measure of "disadvantaged" and "handicapped" pupils requiring more costly schooling.

New York's large urban school districts and their students are victims of the following four major injustices under the state's operating aid to education formula:

1) The cities containing the large urban school districts must and do sustain the highest local expenditure and tax burdens for all public services, including education.

2) Their school operating outlays are among the highest in the state, primarily due to high instructional costs and extra expense of servicing their large disadvantaged and handicapped population.

3) Their student achievement records are vastly below other school districts which do not have high concentrations of children difficult and expensive to teach.

4) The state aid formula calculates the amount of assistance on the basis of students in average daily attendance rather than enrollment; consequently the large urban districts suffer because of high student absenteeism, a factor which also actually represents greater school costs rather than any cost savings.

In short, the large urban districts receive virtually minimal state aid per student, far less aid than districts which do not suffer comparable burdens in municipal services costs, school expenditures, disadvantaged and handicapped student expenses, and absenteeism penalties. While the public education fiscal burden of the large urban districts is by far the greatest in the state, the levels of state education assistance they receive are among the lowest.

The fact that the state is giving far less than average school aid to the urban districts most needy of such aid raises two major and separate objections under the Constitutions of New York and the United States:

1) New York's system of state education aid to local districts has a basic "equalization" purpose to grant assistance in relationship to each district's relative fiscal ability to support its school program (resources in relation to the educational burden), but the statute's distribution formula denies equal treatment and it fails to carry out its own aid purpose when it arbitrarily grants far less aid to the districts with the greatest

funding disabilities. This denial violates Article I, Section II, of the New York Constitution and the 14th Amendment of the United States Constitution, whose equal protection guarantees bar an aid formula which defeats and disserves the underlying equalization purpose of an aid statue.

2) As a result of unfairly restricting aid to urban districts, the state formula is additionally faulty because it denies equal educational opportunity to their students, many of whom are already educationally disadvantaged. These denials violate Article II, Section I, of the New York Constitution and the 14th Amendment of the United States Constitution, both of which prohibit arbitrary denial of public education opportunity.

The objections asserted by the urban plaintiffs thus invoke substantial and traditional constitutional guarantees. The urban plaintiffs ask that the statute's own goal of providing greater equalization aid to districts less able to carry their school budget load be fairly and rationally implemented. Because of the unlawful and discriminatory manner of distributing state assistance to the major urban districts, they are annually being denied hundreds of millions of dollars in state operating aid to which they are fairly entitled under any equitable measure of their rights and any rational implementation of the state's own equalization objective.